

TOWN OF SMITHTOWN
FINANCIAL STATEMENTS

December 31, 2013

**TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Principal Officials	2
---------------------------	---

FINANCIAL SECTION

Independent Auditors' Report.....	4-5
-----------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis.....	9-20
---	------

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	24-25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28-29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	31
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities	32
Notes to Financial Statements	34-67

TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Schedules of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual:	
General Fund.....	70
Highway Fund.....	71
Refuse and Garbage Funds.....	72
Postemployment Benefits Healthcare Costs – Schedule of Funding Progress	73

OTHER SUPPLEMENTARY INFORMATION

Combining Fund Statements	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	76-77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	78-79
Statement of Changes in Agency Assets and Liabilities	80

INTRODUCTORY SECTION

TOWN OF SMITHTOWN

PRINCIPAL OFFICIALS

December 31, 2013

ELECTED OFFICIALS

TOWN BOARD:

Supervisor	Patrick R. Vecchio
Councilman	Thomas J. McCarthy
Councilman	Edward R. Wehrheim
Councilman	Robert Creighton
Councilwoman	Lynne C. Nowick

TOWN CLERK

Vincent Puleo

RECEIVER OF TAXES

Deanna Varricchio

SUPERINTENDENT OF HIGHWAYS

Glenn Jorgensen

APPOINTED OFFICIALS

Town Assessor	Peter D. Johnson
Town Attorney	Matthew Jakubowski
Town Comptroller	Louis A. Necroto
Town Engineer	Mark Riley

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Town Board
Town of Smithtown
Smithtown, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown, New York (the "Town"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Smithtown, New York as of December 31, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PERSONAL SERVICE. TRUSTED ADVICE. 

ALBRECHT, VIGGIANO, ZURECK & COMPANY, P.C.

245 PARK AVENUE, 39TH FLOOR
NEW YORK, NY 10167
T: 212.792.4075

25 SUFFOLK COURT
HAUPPAUGE, NY 11788-3715
T: 631.434.9500 F: 631.434.9518

www.avz.com

INDEPENDENT MEMBER OF BKR INTERNATIONAL

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the postemployment benefits healthcare costs and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Albert, Virginia, Zark & Company P.C.

Hauppauge, New York
September 16, 2014

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

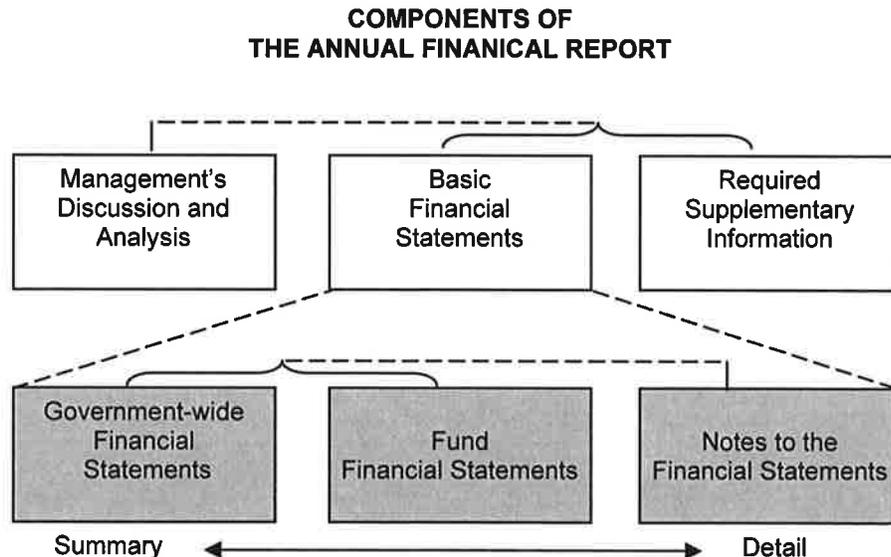
As management of the Town of Smithtown (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2013. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceed its liabilities and deferred inflows of resources at the close of 2013 by \$69,599,876 (net position).
- The Town's total net position decreased by \$7,110,888 or 9.3%.
- As of the close of 2013, the Town's governmental funds reported combined ending fund balances of \$48,947,048, an increase of \$1,958,980. Of this amount, \$3,513,164 is not in spendable form or is required to remain intact. The remaining \$45,433,884 or approximately 92.8% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion.
- At the end of 2013, the Town's total fund balance for the general fund was \$16,486,018, an increase of 3.0% from the prior year. The assigned and unassigned fund balance for the general fund was \$15,355,693, or 38.1% of total general fund expenditures and other uses.
- The Town's total bonded debt outstanding was \$16,827,200, an increase of \$4,487,200 or 36.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The intent of the government-wide financial statements is to give the reader a long-term view of the Town's financial condition.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements (continued)

The Statement of Net Position presents financial information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the two reported as net position. This combines and consolidates the Town's current financial resources with capital assets and long-term obligations. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's buildings, roads, drainage and other assets to assess the overall health of the Town.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. Revenues and expenses are reported by activity to give the reader an understanding of how each of the Town's activities is being supported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Town's fund financial statements.

The Town's government-wide financial statements includes all of the governmental activities of the Town itself (known as the primary government).

Governmental Activities

The Town's basic services are reported here, including: general government support, public safety, health, transportation, economic assistance and opportunity, cultural and recreation and home and community services. Property taxes, mortgage taxes, franchise fees, and state and federal grants finance these activities. The Town also charges user fees to customers to help it cover the cost of certain services it provides.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

The Town's activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains twelve (12) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the four (4) major funds. The general fund, highway fund, refuse and garbage funds and capital projects fund are reported as major funds. Data from the eight (8) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the "Other Supplementary Information" section in this report.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

The Town adopts an annual budget for its general fund and special revenue funds. The budget for the capital projects fund is done on a project-by-project basis. Budgetary comparison schedules have been provided for the general fund, highway fund and refuse and garbage funds to demonstrate compliance with their adopted budgets. Budgetary comparison schedule for these major funds can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

The governmental funds financial statements can be found in the "Basic Financial Statements" section of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statement can be found in the "Basic Financial Statements" section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements, this report contains supplementary information immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,599,876 at the close of the most recent year.

Condensed Statement of Net Position
Governmental Activities
as of December 31,

	2013	2012
Current and other assets		
Current assets	\$ 58,629,188	\$ 55,819,216
Capital assets	115,476,862	111,609,932
Other non-current assets	2,176,000	2,727,178
Total assets	176,282,050	170,156,326
Deferred outflows of resources	60,118	-0-
Total assets and deferred outflows of resources	176,342,168	170,156,326
Current and other liabilities		
Current liabilities	13,455,334	12,077,489
Non-current liabilities	90,312,085	78,356,073
Total liabilities	103,767,419	90,433,562
Total deferred inflows of resources	2,974,873	3,012,000
Total liabilities and deferred inflows of resources	106,742,292	93,445,562
Net position		
Net investment in capital assets	103,845,270	99,981,782
Restricted	6,796,058	1,786,319
Unrestricted	(41,041,452)	(25,057,337)
Total net position	\$ 69,599,876	\$ 76,710,764

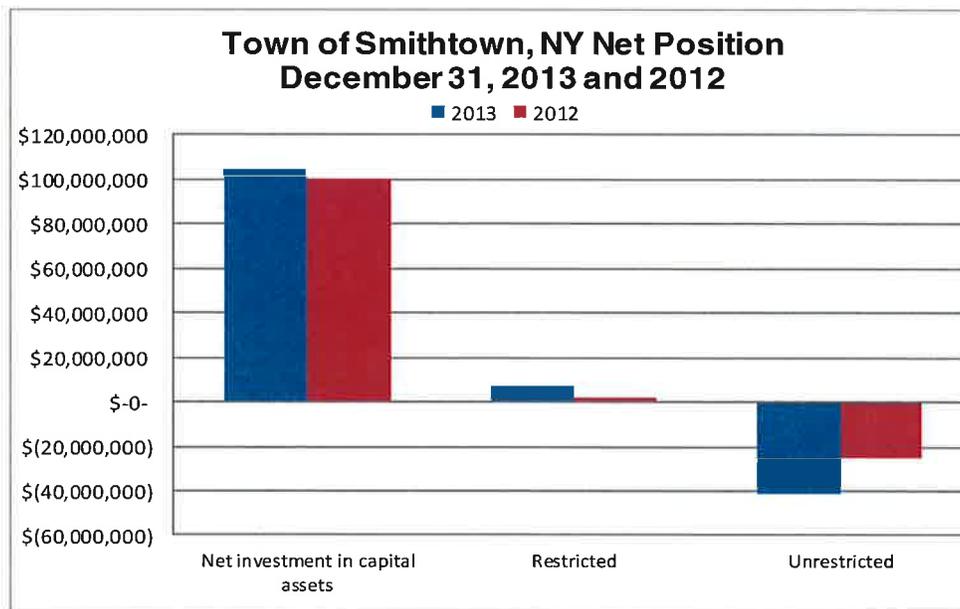
TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

By far the largest portion of the Town's net position, \$103,845,270, reflects the net investment in capital assets (e.g., land and construction in progress, buildings and improvements, machinery, furniture and office equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit balance in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position arose primarily due to long-term liabilities, which include general obligation bonds, compensated absences, claims and judgments, landfill closure and postclosure care costs, and postemployment benefits healthcare costs (OPEB) that will be funded through future budgetary appropriations when they become payable in future periods.



The total net position of the Town as of December 31, 2013 was \$69,599,876, a decrease of \$7,110,888 from the prior year. Of this amount, \$103,845,270 was the net investment in capital assets, while \$6,796,058 was restricted by statute or other specific purpose leaving a \$41,041,452 as an unrestricted deficit.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Total net position was again decreased in the current year and will likely continue to decrease in subsequent years due to the ongoing recognition of the Town's postemployment benefits healthcare (OPEB) costs. The unfunded liability for postemployment benefits healthcare costs increased in the current year by \$9,306,530 bringing the unfunded liability at year-end to \$53,363,572. Additional information on postemployment benefits healthcare costs can be found in Note 3.F to the financial statements.

Changes in Net Position
Governmental Activities
for the years ended December 31,

	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 29,913,913	\$ 28,636,604
Operating grants and contributions	3,553,551	8,694,806
Capital grants and contributions	2,711,114	1,635,942
	36,178,578	38,967,352
General revenues:		
Real property taxes	54,366,634	52,556,106
Real property tax items	787,523	704,521
Non-property tax items - franchise tax	2,289,837	2,174,931
Mortgage tax	4,520,173	3,865,197
Investment earnings - unrestricted	228,994	288,382
Sale of property and compensation for loss	194,257	394,002
State aid - unrestricted	671,178	671,178
Other	639,886	557,121
	63,698,482	61,211,438
Total revenues	99,877,060	100,178,790
Expenses		
General government support	16,413,188	20,539,649
Public safety	11,078,328	10,451,870
Health	2,934,110	1,585,953
Transportation	33,727,931	36,432,038
Economic assistance and opportunity	4,766	5,846
Culture and recreation	11,708,912	11,489,247
Home and community services	30,600,316	25,972,973
Interest on debt	520,397	550,329
	106,987,948	107,027,905
Total expenses	106,987,948	107,027,905
Change in net position	(7,110,888)	(6,849,115)
Net position - beginning	76,710,764	83,559,879
Net position - ending	\$ 69,599,876	\$ 76,710,764

The change in net position from all combined activities was a decrease of \$7,110,888.

The largest key element of the changes in governmental activities was the recognition of OPEB costs of \$9,306,530 across the various functions.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

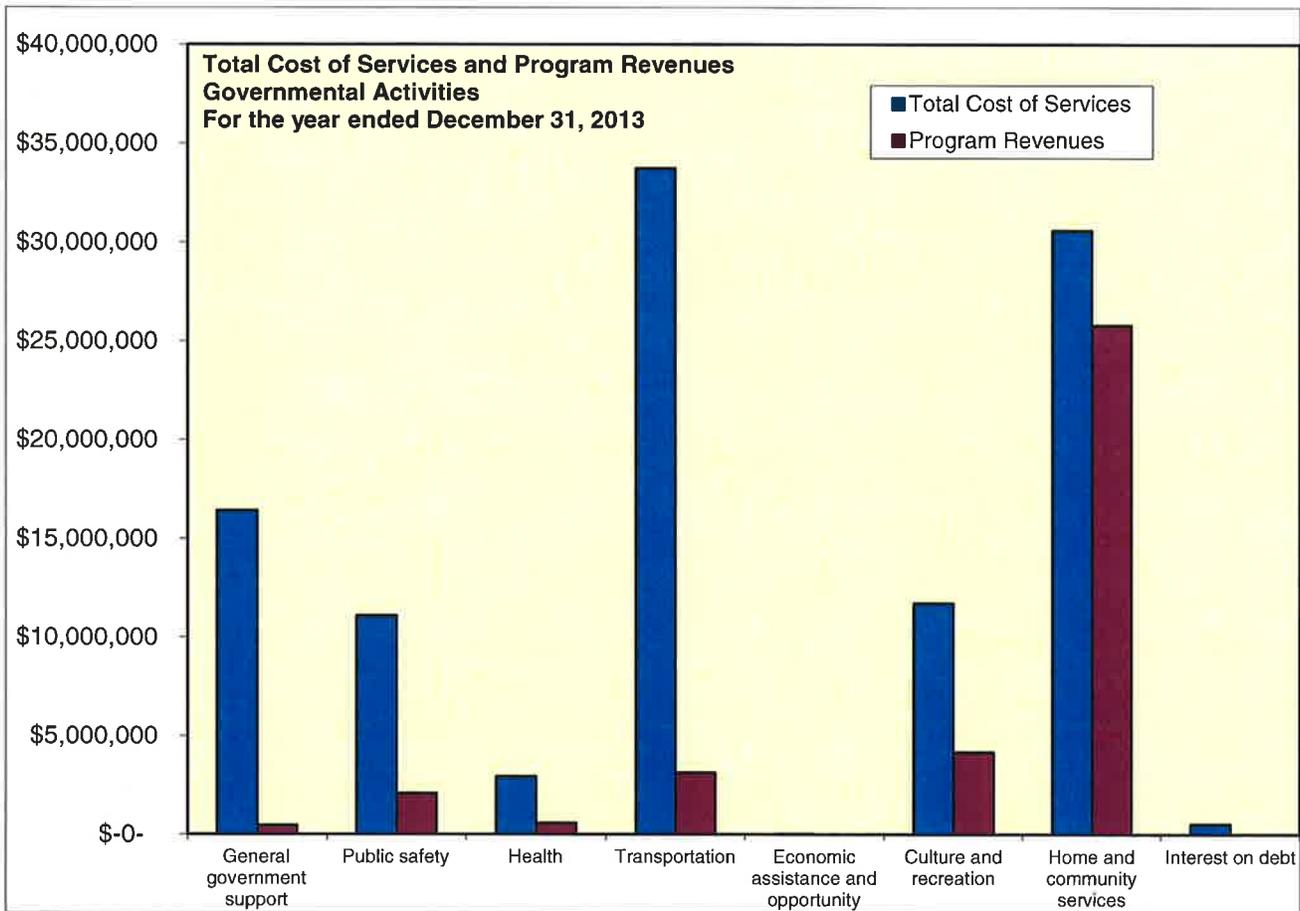
OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following chart illustrates the total expenses by program function for the Town's governmental funds.

**Total Cost of Services, Program Revenues and Net Cost of Services
 Governmental Activities
 for the years ended December 31,**

	2013	2012	2013	2012	2013	2012
	Total Cost of Services		Program Revenue		Net (Expense) Revenue of Services	
General government support	\$ 16,413,188	\$ 20,539,649	\$ 452,732	\$ 238,746	\$ (15,960,456)	\$ (20,300,903)
Public safety	11,078,328	10,451,870	2,079,199	2,217,574	(8,999,129)	(8,234,296)
Health	2,934,110	1,585,953	571,907	338,469	(2,362,203)	(1,247,484)
Transportation	33,727,931	36,432,038	3,125,581	7,266,581	(30,602,350)	(29,165,457)
Economic assistance and opportunity	4,766	5,846			(4,766)	(5,846)
Culture and recreation	11,708,912	11,489,247	4,164,642	4,462,789	(7,544,270)	(7,026,458)
Home and community services	30,600,316	25,972,973	25,784,517	24,443,193	(4,815,799)	(1,529,780)
Interest on debt	520,397	550,329			(520,397)	(550,329)
	<u>\$ 106,987,948</u>	<u>\$ 107,027,905</u>	<u>\$ 36,178,578</u>	<u>\$ 38,967,352</u>	<u>\$ (70,809,370)</u>	<u>\$ (68,060,553)</u>



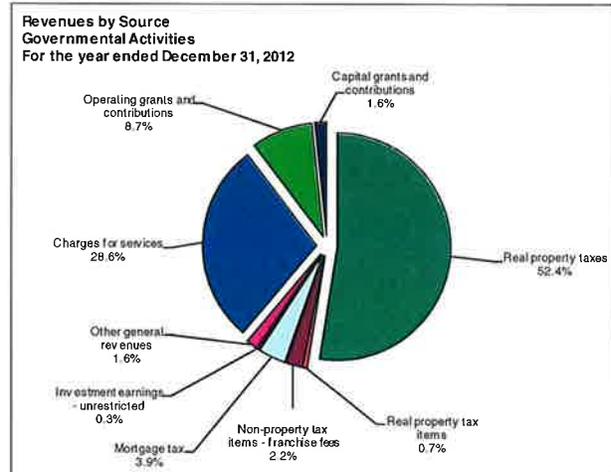
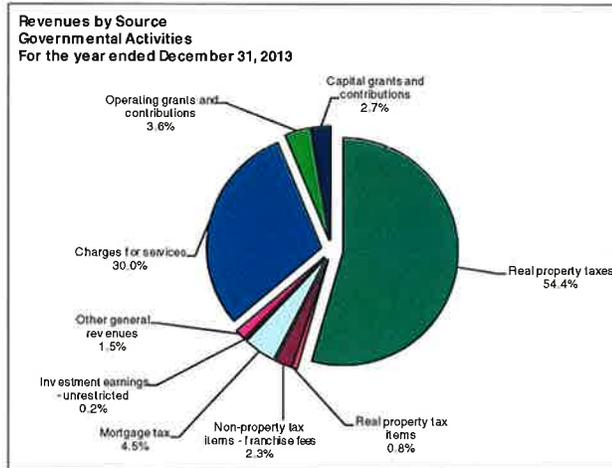
The total cost of all governmental activities this year was \$106,987,948. The net cost of these services after being partially subsidized by program revenues of \$36,178,578 was \$70,809,370.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following graph and chart illustrate the revenues by source for the Town's governmental funds.



Revenue by Source - Governmental Activities
years ended December 31,

	2013	2012
Real property taxes	\$ 54,366,634	\$ 52,556,106
Real property tax items	787,523	704,521
Non-property tax items - franchise fees	2,289,837	2,174,931
Mortgage tax	4,520,173	3,865,197
Investment earnings - unrestricted	228,994	288,382
Other general revenues	1,505,321	1,622,301
Charges for services	29,913,913	28,636,604
Operating grants and contributions	3,553,551	8,694,806
Capital grants and contributions	2,711,114	1,635,942
	<u>\$ 99,877,060</u>	<u>\$ 100,178,790</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

At December 31, 2013, the Town's governmental funds reported total ending fund balances of \$48,947,048, an increase of \$1,958,980. The category breakdown is as follows:

- **Nonspendable fund balance** - \$3,513,164 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$6,400,937 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$26,538,089 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$12,494,858 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance.

The Town began the year with an anticipated \$8,492,560 net decrease resulting from the appropriation of fund balance for the 2013 budget in the governmental funds.

These items are discussed in greater detail in the individual fund analyses that follow.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the general fund was \$16,486,018, increasing \$484,542, or 3.0%, from the prior year. Of this amount, \$788,727 is not in spendable form (prepaids) and \$341,598 is restricted for debt service and park and land deposits. The remaining \$15,355,693 of the fund balance is in spendable form as follows: \$2,750,000 has been assigned by the Town Board for the subsequent year's budget, \$110,835 has been assigned for purchase orders by the Town Comptroller, and the remaining \$12,494,858 represents spendable, unassigned fund balance.

The major components of the fund balance increase of \$484,542 were:

- There was a budgeted use of prior year fund balance of \$3,000,000
- Revenue and other financing sources were greater than the original budget by \$1,018,040. Contributing factors were as follows:
 - State aid mortgage tax had an increase of \$320,173 because of the economy.
 - Federal aid increased \$186,501 for Hurricane Sandy and Storm Nemo.
 - School Age Child Care (SACC) had receipts in excess of budget by \$310,007.
 - Verizon franchise fees were greater by \$99,429.
 - Premiums on 2013 bond issue transferred in amounted to \$45,586.
- Expenditures and other financing uses were under the original budget by \$2,466,502. Contributing factors were as follows:
 - Engineering had a reduction in salary expense of \$140,103, SACC had less salaries by \$164,601, Substance Abuse Control Program had less salaries by \$40,062 and Assessor has less salaries by \$86,679. All were due to retirements or unfilled positions.
 - Litigation and Counsel had a savings of \$142,749 for preparing more cases using in house attorneys.
 - Home and community services had a decline in leachate costs of \$141,119 and there was \$652,189 less costs in resources recovery plant due to expiration of debt service and a new agreement that was put in place with more favorable terms to the Town.
 - Employees' benefits realized across the board saving in social security, medicare and workers' compensation costs from salary savings of \$117,150.
 - Computer contracts and software licensing costs were less by \$73,145.
 - Buildings and grounds expenses for utilities and maintenance declined by \$129,152.
 - Other land development rights the Town did not purchase was \$292,500.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Highway Fund

At the end of the current year, the total fund balance of the highway fund was \$8,577,940, decreasing \$444,091, or 4.9%, from the prior year. Of this amount, \$1,084,079 is not in spendable form (inventory and prepaids). The remaining \$7,493,861 of the fund balance is in spendable form as follows: \$2,801,989 has been assigned by the Town Board for the subsequent year's budget, \$133,132 has been assigned for purchase orders by the Town Comptroller and the remaining \$4,558,740 is assigned for highway purposes.

The main reasons for the fund balance decrease of \$444,091 were:

- There was a budgeted use of prior year fund balance of \$1,500,000.
- FEMA reimbursement for Hurricane Sandy and Storm Nemo resulted in \$198,673 of revenue for highway road and machinery funds.
- Premiums on 2013 Serial bonds were \$145,270.
- New York State Consolidated Local Street and Highway Improvement Program (CHIPS) funding was \$206,173 more than anticipated.
- Unused funds were transferred back from capital projects in the amount of \$350,000.
- Highway snow fund had large expenses from Storm Nemo but were mostly covered by FEMA and State snow and ice revenue.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the refuse and garbage funds was \$6,471,971, decreasing \$687,899, or 9.6%, from the prior year. Of this amount, \$94,651 is not in spendable form (prepaids). The remaining \$6,377,320 of the fund balance is in spendable form as follows: \$1,745,274 has been assigned by the Town Board for the subsequent year's budget, \$2,046 has been assigned for purchase orders by the Town Comptroller and the remaining \$4,630,000 is assigned for residential refuse and garbage purposes.

The main reasons for the fund balance decrease of \$687,899 were:

- There was a budgeted use of prior year fund balance of \$1,773,067.
- Reduced charges of \$690,485 for the resource recovery plant.
- There was a legal settlement in favor of the Town in the amount of \$400,000.

Capital Projects Fund

At the end of the current year, the capital projects fund had a total fund balance of \$7,985,810 increasing \$4,341,217, or 119.1%, from the prior year. Of this amount, \$5,966,236 was restricted as follows: \$5,437,132 for capital projects and \$529,104 for purchase orders. The remaining \$2,019,574 has been assigned as follows: \$2,004,824 for capital purposes and \$14,750 for purchase orders.

The main reasons for the fund balance increase of \$4,341,217 were:

- The Town issued \$6,742,200 in serial bond proceeds.
- The Town received \$402,000 of capital lease proceeds.
- Net transfers out to operating accounts were \$125,673.
- The Town expended \$2,216,971 in relation to serial bond and capital lease projects.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$1,734,789 over the eight nonmajor funds, the most notable as follows:

- The Town outside village fund had a decrease of \$939,862. It began the year with a budgeted use of \$900,000, appropriated from the prior year, for use in 2013.
- The special revenue funds had a \$1,019,147 decrease in fund balance due to a budgeted use of \$1,152,315.
- The street lighting funds had an increase of \$90,702 mostly due to FEMA reimbursements of \$147,704.

General Fund Budgetary Highlights

During the year, there was a \$399,524 or 0.9% increase in overall spending between the original and final amended budget, inclusive of transfers. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of original budget and actual amounts. The following are the main components of the increase in appropriations:

- Adjustments for FEMA aid of \$171,325 related to Hurricane Sandy and Storm Nemo.
- Appropriated fund balance of \$144,555 for remediation of unsafe structures. Of this amount, \$103,752 was reimbursed to the Town through the tax warrant in the subsequent year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, for its governmental activities as of December 31, 2013 amounts to \$115,476,862 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, furniture and fixtures and construction in progress.

Major capital asset events during the current year included the following:

- Highway road, drainage, and sidewalk improvements throughout the Town were completed for \$8,416,468.
- Other infrastructure improvements were \$1,088,866, which mainly consisted of street lighting improvements.
- Construction in progress totaled \$1,637,956, mainly due to Nichols Road projects.
- The Town purchased vehicles and heavy equipment totaling \$1,309,662.

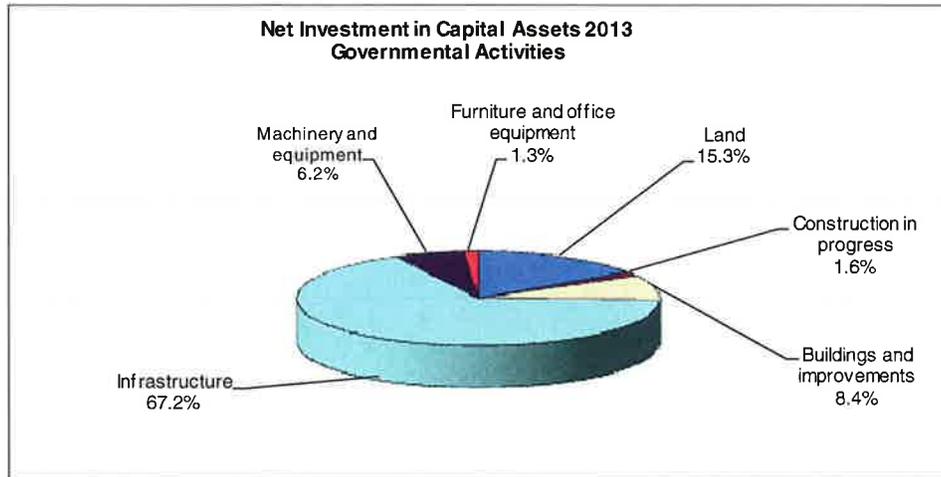
Capital Assets - Net of Accumulated Depreciation

Governmental Activities:	2013	2012
Land	\$ 17,661,763	\$ 17,661,763
Construction in progress	1,811,541	173,585
Buildings and improvements	9,726,799	9,997,852
Infrastructure	77,657,724	74,434,831
Machinery and equipment	7,161,924	7,862,294
Furniture and office equipment	1,457,111	1,479,607
Total capital assets	\$ 115,476,862	\$ 111,609,932

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)



Additional information on the Town's capital assets is shown in Note 3.C to the financial statements.

Debt Administration

Long-Term Debt

At the end of 2013, the Town had total general obligation bonded debt outstanding of \$16,827,200, in comparison to \$12,340,000 in the prior year. For the year ended December 31, 2013, the Town's debt increased by \$4,487,200 or 36.4%. The entire debt is backed by the full faith and credit of the Town.

In August, 2013, Moody's Investors Service, Inc. reaffirmed the Town's credit rating as "Aa1".

New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average full valuation. The current debt limitation for the Town is \$1,301,256,586 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted at December 31, 2013 was 1.29%.

Additional information on the Town's indebtedness is shown in Note 3.D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town has adopted a budget for 2014 that reduced revenues and expenditures by \$487,019 in the general fund. The general fund budget includes a real property tax decrease of approximately 3.84% over 2013 in an effort to reduce costs.

State Aid and Local Assistance

The Town receives financial assistance from New York State and Suffolk County. The 2014 budget includes mortgage tax of \$5,000,000; state aid per capita of \$671,178 and state and local government assistance of \$1,727,349. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of state aid. The State is not constitutionally obligated to maintain or continue state aid to the Town.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

State Aid and Local Assistance (continued)

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The adopted budget for 2014 did not exceed the 2% cap.

The Town will be closely monitoring the current economic conditions and making adjustments as necessary.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. If you have any questions about this report or need any additional information, contact the Town Comptroller at 40 Maple Ave Smithtown, New York 11787 or by telephone 631-360-7530.

BASIC FINANCIAL STATEMENTS

TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 46,758,866
Cash - restricted	587,521
Accounts receivable	4,498,450
Due from other governments	3,567,250
Prepays	2,697,719
Inventory of materials and supplies	519,382
Total current assets	58,629,188
Non-current assets:	
Receivables, service concession arrangements	2,176,000
Non-depreciable capital assets	19,473,304
Capital assets, net of accumulated depreciation	96,003,558
Total non-current assets	117,652,862
Total assets	176,282,050
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	60,118
Total deferred outflows of resources	60,118
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	8,383,794
Accrued interest payable	123,187
Collections in advance	40,310
Other liabilities	22,163
Non-current liabilities due within one year:	
General obligation bonds payable, inclusive of premiums	2,775,568
Compensated absences payable	891,095
Capital leases payable	132,443
Claims and judgments payable	655,929
Estimated liability for landfill closure and postclosure care costs	430,845
Total current liabilities	13,455,334
Non-current liabilities due in more than one year:	
General obligation bonds payable, inclusive of premiums	14,420,260
Compensated absences payable	7,795,844
Capital leases payable	269,557
Claims and judgments payable	3,546,847
Estimated liability for landfill closure and postclosure care costs	10,916,005
Postemployment benefits healthcare costs	53,363,572
Total non-current liabilities	90,312,085
Total liabilities	103,767,419
DEFERRED INFLOWS OF RESOURCES	
Deferred service concession arrangement receipts	2,637,000
Unearned revenue - property taxes	332,123
Unearned revenue - other miscellaneous items	5,750
Total deferred inflows of resources	2,974,873
NET POSITION	
Net investment in capital assets	103,845,270
Restricted for:	
Park and land deposits	270,325
Debt service	71,273
Capital projects	5,966,236
Home and community services	192,161
Permanent fund:	
Nonexpendable	296,063
Unrestricted	(41,041,452)
Total net position	\$ 69,599,876

TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

Function/ Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
General government support	\$ 16,413,188	\$ 452,732			\$ (15,960,456)
Public safety	11,078,328	2,077,097	\$ 2,102		(8,999,129)
Health	2,934,110	332,831	239,076		(2,362,203)
Transportation	33,727,931	108,577	720,470	\$ 2,296,534	(30,602,350)
Economic assistance and opportunity	4,766				(4,766)
Culture and recreation	11,708,912	3,302,370	862,272		(7,544,270)
Home and community services	30,600,316	23,640,306	1,729,631	414,580	(4,815,799)
Interest on debt	520,397				(520,397)
Total governmental activities	\$ 106,987,948	\$ 29,913,913	\$ 3,553,551	\$ 2,711,114	\$ (70,809,370)
			General revenues:		
			Real property taxes		54,366,634
			Real property tax items		787,523
			Non-property tax items - franchise fees		2,289,837
			Mortgage tax		4,520,173
			Investment earnings - unrestricted		228,994
			Sale of property and compensation for loss		194,257
			State aid - unrestricted		671,178
			Other		639,886
			Total general revenues		63,698,482
			Change in net position		(7,110,888)
			Net position - beginning		76,710,764
			Net position - ending		\$ 69,599,876

See notes to the financial statements.

**TOWN OF SMITHTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013**

	MAJOR FUNDS			
	General	Highway	Refuse and Garbage Funds	Capital Projects
ASSETS				
Cash and investments	\$ 13,992,680	\$ 9,363,995	\$ 8,114,093	\$ 7,385,419
Cash and investments - restricted	270,325			
Accounts receivable	1,722,506	173,729	56,751	804,644
Due from other funds	111,836	160,670	533	
Due from other governments	1,930,475	41,460	124,030	1,411,359
Prepays	788,727	564,697	94,651	
Inventory		519,382		
Total assets	<u>\$ 18,816,549</u>	<u>\$ 10,823,933</u>	<u>\$ 8,390,058</u>	<u>\$ 9,601,422</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,167,148	\$ 1,856,180	\$ 1,807,387	\$ 1,611,019
Due to other funds	15,024	158,959	110,700	4,593
Collections in advance	40,310			
Other liabilities	1,030			
Total liabilities	<u>2,223,512</u>	<u>2,015,139</u>	<u>1,918,087</u>	<u>1,615,612</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	101,269	230,854		
Unearned revenue - other miscellaneous items	5,750			
Total deferred inflows of resources	<u>107,019</u>	<u>230,854</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES				
Nonspendable	788,727	1,084,079	94,651	
Spendable:				
Restricted	341,598			5,966,236
Assigned	2,860,835	7,493,861	6,377,320	2,019,574
Unassigned	12,494,858			
Total fund balances	<u>16,486,018</u>	<u>8,577,940</u>	<u>6,471,971</u>	<u>7,985,810</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,816,549</u>	<u>\$ 10,823,933</u>	<u>\$ 8,390,058</u>	<u>\$ 9,601,422</u>

See notes to the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 7,902,679	\$ 46,758,866
317,196	587,521
842,820	3,600,450
129,160	402,199
59,926	3,567,250
1,249,644	2,697,719
	519,382
<u>\$ 10,501,425</u>	<u>\$ 58,133,387</u>
\$ 942,060	\$ 8,383,794
112,923	402,199
	40,310
21,133	22,163
<u>1,076,116</u>	<u>8,848,466</u>
	332,123
	5,750
<u>-0-</u>	<u>337,873</u>
1,545,707	3,513,164
93,103	6,400,937
7,786,499	26,538,089
	12,494,858
<u>9,425,309</u>	<u>48,947,048</u>
<u>\$ 10,501,425</u>	<u>\$ 58,133,387</u>

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2013

Total fund balances - governmental funds \$ 48,947,048

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets - non-depreciable	\$ 19,473,304	
Capital assets - depreciable	285,501,831	
Accumulated depreciation	<u>(189,498,273)</u>	115,476,862

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.

General obligation bonds	(16,827,200)	
Compensated absences	(8,686,939)	
Capital leases	(402,000)	
Claims and judgments	(4,202,776)	
Estimated liability for landfill closure and postclosure care costs	(11,346,850)	
Postemployment benefits healthcare costs	<u>(53,363,572)</u>	(94,829,337)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred loss on refunding included in the Statement of Net Position		60,118
Premiums on debt issuance included in the Statement of Net Position		<u>(368,628)</u>

Unbilled water applicable to the Town's governmental activities not due and receivable in the current period, and accordingly, are not reported in the funds. However, these assets are included in the Statement of Net Position.		437,000
--	--	---------

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore are not reported in the funds.	2,637,000	
Deferred inflows, service concession arrangements not reported in the funds.	<u>(2,637,000)</u>	-0-

Interest payable applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However these liabilities are included in the Statement of Net Position.		<u>(123,187)</u>
---	--	------------------

Net position of governmental activities \$ 69,599,876

TOWN OF SMITHTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2013

	MAJOR FUNDS			
	General	Highway	Refuse and Garbage Funds	Capital Projects
REVENUES				
Real property taxes	\$ 20,995,645	\$ 26,410,640		
Real property tax items	459,144	235,455		
Non-property tax items	2,289,837			
Departmental income	9,451,008		\$ 11,064,561	
Intergovernmental charges	408,859	58,182	450,483	
Use of money and property	413,381	38,254	36,347	\$ 56
Licenses and permits	162,402	39,150		
Fines and forfeitures	149,936			
Sale of property and compensation for loss	8,010	1,058	1,268,905	
Miscellaneous local sources	48,480	89		
Interfund revenues	53,763		58,430	
State aid	5,743,258	1,010,891	11,900	113,529
Federal aid	540,078	505,047	2,693	1,239,832
Total revenues	<u>40,723,801</u>	<u>28,298,766</u>	<u>12,893,319</u>	<u>1,353,417</u>
EXPENDITURES				
Current:				
General government support	10,593,719			
Public safety	3,010,383			
Health	904,035			
Transportation	955,354	22,372,006		
Economic assistance and opportunity	645			
Culture and recreation	6,021,410			
Home and community services	5,198,450		12,338,707	
Employee benefits	11,096,668	6,701,091	1,235,190	
Capital Outlay				4,030,727
Debt Service:				
Principal	1,956,400	141,600		
Interest	363,454	23,430		
Total expenditures	<u>40,100,518</u>	<u>29,238,127</u>	<u>13,573,897</u>	<u>4,030,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>623,283</u>	<u>(939,361)</u>	<u>(680,578)</u>	<u>(2,677,310)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	71,273	350,000		295,600
Transfers out	(255,600)		(40,000)	(421,273)
Debt issuance proceeds				6,742,200
Capital lease proceeds				402,000
Premiums on debt issuance	45,586	145,270	32,679	
Total other financing sources (uses)	<u>(138,741)</u>	<u>495,270</u>	<u>(7,321)</u>	<u>7,018,527</u>
Net change in fund balances	<u>484,542</u>	<u>(444,091)</u>	<u>(687,899)</u>	<u>4,341,217</u>
Fund balances at beginning of year	<u>16,001,476</u>	<u>9,022,031</u>	<u>7,159,870</u>	<u>3,644,593</u>
Fund balances at end of year	<u>\$ 16,486,018</u>	<u>\$ 8,577,940</u>	<u>\$ 6,471,971</u>	<u>\$ 7,985,810</u>

See notes to the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 6,960,349	\$ 54,366,634
92,924	787,523
	2,289,837
4,532,491	25,048,060
25,520	943,044
47,540	535,578
1,820,875	2,022,427
	149,936
193,751	1,471,724
625,164	673,733
146,978	259,171
285,000	7,164,578
2,025,176	4,312,826
<u>16,755,768</u>	<u>100,025,071</u>
790,345	11,384,064
3,088,987	6,099,370
1,327,916	2,231,951
1,572,494	24,899,854
	645
457,297	6,478,707
6,689,257	24,226,414
4,425,385	23,458,334
	4,030,727
157,000	2,255,000
32,954	419,838
<u>18,541,635</u>	<u>105,484,904</u>
<u>(1,785,867)</u>	<u>(5,459,833)</u>
	716,873
	(716,873)
	6,742,200
	402,000
51,078	274,613
<u>51,078</u>	<u>7,418,813</u>
<u>(1,734,789)</u>	<u>1,958,980</u>
<u>11,160,098</u>	<u>46,988,068</u>
<u>\$ 9,425,309</u>	<u>\$ 48,947,048</u>

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF SMITHTOWN
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Year ended December 31, 2013

Net change in fund balances - total governmental funds \$ 1,958,980

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation expense in the current period is:

Capital outlay	\$ 12,884,828	
Depreciation expense	(8,997,308)	
Loss on disposition	(20,590)	
	3,866,930	3,866,930

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:

Deferred loss on refunding	(30,060)
----------------------------	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	55,000
--	--------

The issuance of long-term debt and increases in obligations provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Debt issued	(6,742,200)	
Repayment of debt principal	2,255,000	
Compensated absences	77,851	
Capital lease proceeds	(402,000)	
Claims and judgments	2,440,235	
Estimated liability for landfill closure and postclosure care costs	(995,145)	
Postemployment benefits healthcare costs	(9,306,530)	
Accrued interest payable	(70,499)	
	(12,743,288)	(12,743,288)

Premiums of bond issuances recognized in governmental funds statements when issued and capitalized and amortized in the Statement of Activities.	(218,450)
--	-----------

Change in net position of governmental activities	\$ (7,110,888)
---	----------------

TOWN OF SMITHTOWN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2013

		Agency Fund
ASSETS		
Cash	\$	160,529,391
Accounts receivable		5,831
Total assets	\$	160,535,222
 LIABILITIES		
Accounts payable and accrued liabilities	\$	1,249,429
Other agency liabilities		159,285,793
Total liabilities	\$	160,535,222

See notes to the financial statements.

TOWN OF SMITHTOWN
INDEX FOR NOTES TO FINANCIAL STATEMENTS
December 31, 2013

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	
1. A Reporting Entity	34
1. B Government-wide and Fund Financial Statements	34-37
1. C Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	37-38
1. D Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance	38-42
1. E Revenues and Expenditures	42-43
1. F Encumbrances	43
1. G Use of Estimates	43
1. H New Accounting Pronouncements	44
1. I Subsequent Events	44
Note 2 – Stewardship, Compliance and Accountability	
2. A Budgetary Information.....	45
2. B Fund Equity	46
Note 3 – Detailed Notes on All Funds	
3. A Cash and Investments.....	46-47
3. B Interfund Receivables, Payables and Transfers	47-48
3. C Capital Assets.....	48-49
3. D Indebtedness	49-52
3. E Retirement System.....	52-53
3. F Postemployment Benefits Healthcare Costs.....	53-56
3. G Compensated Absences	57
Note 4 – Commitments and Contingencies	
4. A Risk Management	57-58
4. B Tax Certioraris	59
4. C Litigation	59-61
4. D Landfill Closure and Postclosure Care Costs	61
4. E Construction and Other Capital Acquisition Commitments	61
4. F Municipal Cooperation Agreements	61-62
4. G Resource Recovery Facility	62
4. H Grants	62
4. I Lease Commitments and Leased Assets	62-63
4. J Permanent Fund	63
4. K Service Concession Arrangements	63-64
4. L Commack Volunteer Ambulance Corps. Service Award Program.....	64-66
Note 5 – New Pronouncements	66-67

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Smithtown (the "Town"), which was established in 1665, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of four years and four council members who are elected for terms of four years. The Town Board appoints the Town Assessor, the Town Attorney, the Town Comptroller and the Town Engineer. The Town Clerk, Receiver of Taxes and Superintendent of Highways are elected and serve for four year terms. The Town provides a full range of municipal services, including public safety, transportation, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals.

The most significant of the Town's accounting policies are described below.

A. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, which is the Town; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Town of Smithtown reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Town has no component units either combined or discretely presented.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town as a whole with a separate column for the primary governmental activities. All fiduciary activities are reported in the fund financial statements.

The effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function, and 3) interest earned on grants or capital projects that is required to be used to support a particular program or project. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses to specific functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. The focus of the governmental funds financial statements is on the major funds. Accordingly, the Town maintains the following fund types:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Government funds are further classified as major and nonmajor funds.

The Town reports the following major governmental funds:

General Fund – is the principal operating fund of the Town. This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds. This includes financial resources to be used for the acquisition, construction, renovation, expansion and major improvement of various Town facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects. It is also used to account for some grants received from Federal, State and/or County sources.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds include the following:

Highway Fund – used to account for revenues and expenditures for highway purposes. This includes all operations relating to the repair and maintenance of roads, bridges, machinery, snow removal and miscellaneous. Expenditures for repairs and improvements are financed by the areas outside the villages in accordance with Highway Law §277. The Town maintains a town-wide and part-town highway fund that are combined for reporting purposes into the highway fund and shown as a major fund.

Refuse and Garbage Funds – used to account for garbage collection and solid waste disposal in the Town. This includes contracted residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of this solid waste. Only residential properties contribute to the operations of the district via user fees on a benefit derived basis.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Additionally, the Town reports the following nonmajor funds:

Special Revenue Funds include the following:

Town Outside Village – is used to account for revenues and expenditures for certain services provided to the areas of the Town located outside of incorporated villages.

Special Grants Fund – is used to account for the operations of the Community Development Block Grant Program and Section 8 Voucher Program.

Special Revenues Fund – is used to account for risk retention activities including health insurance, unemployment insurance, workers' compensation insurance and liability insurance.

Street Lighting Districts Fund – includes operations relating to the repair and maintenance of street lights located within the boundaries of the Town.

Ambulance Districts Fund – includes amounts provided by the Town for a portion of their operations.

Park District - The Paul J. Fitzpatrick Country Club is used to account for the golf course and catering facility used by the lessee as well as the public swimming pool operated by the Town's recreation department.

Permanent Fund – is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Nissequoque River improvements.

Special District Funds – are used to account for revenues and expenditures for certain services provided to the area of the Town located outside of incorporated villages and includes the following water funds:

Smithtown Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissioners. This district does not encompass the entire Town; it serves portions of Smithtown, Kings Park, Commack and Hauppauge.

St. James Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissioners. This district does not encompass the entire Town; it serves portions of Smithtown and St. James.

Birch Croft Colony Water Supply District – is an agreement between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Birch Croft Colony Water Supply District. The extension is served by the Suffolk County Water Authority.

1987 and 1989 Water Supply Districts – are agreements between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Districts. The extensions are served by the Suffolk County Water Authority.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fiduciary Funds - are used to account for assets held by the Town in a trustee, custodial or agent capacity.

The Town's fiduciary fund (Agency Fund) is presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency Funds – are used to account for resources held as an agent for parties outside the government. Agency resources cannot be held for other funds.

Town Agency Fund – accounts for various agency liabilities.

Town Clerk Agency Fund – accounts for permit and license fees collected on behalf of other governments.

Town Receiver of Taxes Agency Fund – accounts for amounts due to other governments for general and school taxes collected.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period. However, certain revenues may be considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, due to employees retirement system, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and other postemployment benefits are recorded when payment is due or matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual are mortgage tax, franchise fees, state and federal aid, intergovernmental revenue, sanitation billings, water billings and operating transfers. All other governmental fund revenues are recognized when received. Permits, fees and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. Expenditures for prepaids are recognized when incurred. In the capital projects fund, long-term debt is recognized as revenue upon receipt of the proceeds.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. CASH AND INVESTMENTS

The Town's investments are governed by a formal written investment policy. The Town's investment policy designates the commercial banks in which the Town's monies may be deposited, all of which are Federal Deposit Insurance Company (FDIC) insured commercial banks located within the state.

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, and when utilized certificates of deposit with maturities of three months or less. Permissible investments also include special time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of New York State or its agencies and instrumentalities that have a market value of no less than the principal amount of the deposits. The Town's investment policy requires collateral for all demand deposits, special time deposits and certificates of deposit at 100% of all deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the state and its municipalities, and school districts.

2. RESTRICTED ASSETS

Certain assets of the general fund, capital projects fund, special grants fund, general fund for park and land deposits and permanent fund are classified as restricted assets because their use is restricted by law and/or contractual agreement.

3. RECEIVABLES AND PAYABLES

Receivables relating to governmental-type activities primarily include amounts due from federal, state, and other local governments (principally the Town of Huntington and mortgage tax due from Suffolk County), individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

4. DUE FROM/TO OTHER FUNDS

During the course of operations the government has activity between funds for various purposes. Balances of interfund amounts receivable or payable have been recorded in the fund financial statements to the extent that certain transactions between funds had not been paid or received as of the year-end. Certain eliminations are made in the preparation of the government-wide financial statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

5. INVENTORY AND PREPAID ITEMS

Inventory in the highway fund is valued at cost and is accounted for under the consumption method, utilizing the first-in, first-out method (FIFO).

Prepaid items in the general fund and special revenue funds are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. Prepaids generally represent insurance premiums paid for coverage and pension benefits that will benefit the subsequent period.

In governmental funds, amounts reported as inventories and prepaid items are equally offset by nonspendable fund balance amounts, indicating that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five year useful life are reported at historical cost or estimated historical cost. Donated assets are valued at their fair market value on the date of donation. Other costs incurred for repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized. Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Improvements other than buildings	25 years
Infrastructure/Improvements:	20 years
Machinery and equipment:	5 years

Infrastructure assets, including but not limited to roads, bridges, bulkheads, curbs and gutters, streets and sidewalks, drainage systems, street lighting, water mains and sewer systems are capitalized along with other capital assets.

In the fund financial statements capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition. No depreciation has been recorded on governmental capital assets in the fund financial statements, nor has interest on governmental capital assets and construction in progress been capitalized.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

7. COLLECTIONS IN ADVANCE

Collections in advance represent an overpayment of refuse bills which will be applied to future services provided.

8. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows from deferred loss on refunding. A deferred loss on a refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows from service concession arrangements, unearned revenues which relate to subsequent year's property tax levy and other miscellaneous items that will be recognized as revenues in the period that the amounts become available.

9. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, capital leases payable, claims and judgments payable, liability for landfill closure and postclosure care costs, pollution remediation, and postemployment benefits healthcare costs are recognized as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period, in the fund servicing the debt. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

Premiums that are immaterial are not amortized.

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

In the government-wide financial statements, net position is reported in three categories:

- 1) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the capital projects fund are capital related debt and are used in the calculation of net investment in capital assets.
- 2) Restricted—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Permanent fund principal amounts are displayed as expendable and/or nonexpendable. Nonexpendable net assets are required to be retained in perpetuity.
- 3) Unrestricted—All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

- 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long term receivables and financial assets held for resale), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town’s highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- 5) Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

10. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

When outlays for a particular purpose can be funded from both restricted and unrestricted resources it is the Town's default policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

When both restricted and unrestricted fund balance resources are available for use, it is the Town's default policy to use restricted resources first, and then unrestricted resources – committed, assigned and unassigned - in order as needed.

E. REVENUES AND EXPENDITURES

1. INTERFUND TRANSACTIONS

Interfund transactions, exclusive of interfund services provided and used, have been eliminated from the government-wide financial statements. In the funds statements, interfund transactions include:

a) Interfund Revenues

Interfund revenues and interfund services provided and used represent amounts charged for services or facilities provided by the Town's funds. The amounts paid by the fund receiving the benefits of the service or facilities are reported as an expenditure in that fund.

b) Transfers

Transfers represent payments to the special revenues fund from the other funds for their appropriate share of risk retention employee benefits, and transfers to the capital projects fund.

2. PROGRAM REVENUES

Amounts reported as program revenues includes 1) charges to customers or applicants who purchase, use, directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

3. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

All real property assessments are made by the Town. In Suffolk County, the assessment and lien of real property for taxation is done by the County Department of Assessment. The County assessment rolls are used for the levy of real property taxes by the Town and the School Districts, as well as by the County and by Special Districts of the County and Town.

The Town of Smithtown Receiver of Taxes ("Receiver") collects all real property taxes for the Town, Suffolk County, Town Special Districts and School Districts located within the Town of Smithtown. Taxes are collected by the Town during the period December 1st to May 31st. Taxes for county and school purposes are levied together with taxes for Town and special district purposes as a single bill. The first half is due without penalty by January 10th and the second half is due by May 31st. The Suffolk County Tax Act guarantees that the Town, Special Districts and School Districts will receive the full amount of their levies at the end of the collection period. After May 31st, the County of Suffolk assumes enforcement responsibility for all uncollected taxes.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

4. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for eligible retired employees and their eligible dependents. Substantially all of the Town's full-time employees may become eligible for these benefits once they reach retirement age provided they have met the Town's service requirement for continuing health benefits into retirement.

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Health Insurance Program (NYSHIP) (Empire Plan) whose premiums are based on the benefits paid throughout the State during the year.

Postemployment healthcare benefits are also provided by Health Plan of New York (HIP) for eligible retirees and their dependents who elected coverage in HIP as an alternative to the Empire Plan, provided they meet the same criteria for continued coverage as described above.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's collective bargaining agreements require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these postemployment benefits payable is recorded as a non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

5. COMPENSATED ABSENCES

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liability and expenses are reported in the governmental funds only if they have matured, for example, as a result of employee resignation, terminations and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the governmental fund financial statements in the respective fund that will pay it.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. Appropriations for all governmental funds except the capital projects fund lapse at year-end. However, encumbrances reserved against fund balance are re-appropriated in the ensuing year.

G. USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources, and disclosure of contingent assets and deferred outflows of resources and liabilities and deferred inflows of resources, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRONOUNCEMENTS

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2013, the Town adopted:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34.*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No 62.*

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously included as a component under the fiscal dependency criterion, a financial benefit/burden relationship must also be present between the primary government and the organization to be included in the reporting entity as a component unit. For organizations that do not meet the criterion for inclusion as a component unit but management determines it would be misleading not to include it, this statement clarifies the manner in which that determination should be made. This Statement had no effect on the Town's financial statements.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of net position. Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance. The implementation of this Statement resulted in reporting the loss on advanced refunding of bonds as deferred outflows of resources on the government-wide financial statements.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62*, provides financial and reporting guidance by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICAP Pronouncements*. This statement also amends existing standards regarding accounting and financial reporting of risk financing and related insurance issues by removing the provision that limits fund based reporting of risk financing activities to the general fund and internal service funds. This statement also amends existing standards regarding accounting and financial reporting of the following: operating leases, the difference between initial investment in purchased loans and the principal balance and servicing fees related to mortgage loans when sold. This Statement had no effect on the Town's financial statements.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The Town follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before September 20th, each department, officer or district submits to the Budget Officer and/or Comptroller, a detailed estimate of the budget known as "departmental estimates" for the amount of revenue to be received and expenditures to be made for the ensuing year.
- b) On or before September 30th, the Budget Officer files with the Town Clerk and presents to the Town Board a tentative budget for the ensuing year.
- c) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk a preliminary budget.
- d) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget".
- e) Formal budget integration is employed during the year as a management control device for the general fund and certain special revenue funds. The Town board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the capital projects fund lapse at year-end.
- f) Budgets for the general fund and certain special revenue funds are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations are made.
- g) Annual budgets are not prepared for the capital projects fund and permanent fund. Programs in the special grant fund are governed by various grant agreements, which covers a period other than that Town's calendar year but the Town adopts an annualized budget each year. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town did not exceed the 2% cap in 2013.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY

1. Fund Balance

The following table provides the detail regarding fund balance categories and classifications for the governmental funds which show components of nonspendable fund balances, as well as the purposes for restricted, and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Highway Fund	Refuse and Garbage Funds	Capital Projects Funds	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Permanent fund					\$ 296,063	\$ 296,063
Inventory		\$ 519,382				519,382
Prepays	\$ 788,727	564,697	\$ 94,651		1,249,644	2,697,719
Total Nonspendable	<u>788,727</u>	<u>1,084,079</u>	<u>94,651</u>	<u>-0-</u>	<u>1,545,707</u>	<u>3,513,164</u>
Restricted for:						
Debt service	71,273					71,273
Capital projects				\$ 5,437,132		5,437,132
Purchases on order and/or contractual obligations				529,104		529,104
Park and land deposits	270,325					270,325
Other reserves					93,103	93,103
Total Restricted	<u>341,598</u>	<u>-0-</u>	<u>-0-</u>	<u>5,966,236</u>	<u>93,103</u>	<u>6,400,937</u>
Assigned to:						
Subsequent year's budget	2,750,000	2,801,989	1,745,274		2,544,500	9,841,763
Capital projects				2,004,824		2,004,824
Purchases on order and/or contractual obligations	110,835	133,132	2,046	14,750	67,510	328,273
Special revenue funds		4,558,740	4,630,000		5,174,489	14,363,229
Total Assigned	<u>2,860,835</u>	<u>7,493,861</u>	<u>6,377,320</u>	<u>2,019,574</u>	<u>7,786,499</u>	<u>26,538,089</u>
Unassigned, reported in General fund	12,494,858					12,494,858
Total Unassigned	<u>12,494,858</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,494,858</u>
Total Fund Balances	<u>\$ 16,486,018</u>	<u>\$ 8,577,940</u>	<u>\$ 6,471,971</u>	<u>\$ 7,985,810</u>	<u>\$ 9,425,309</u>	<u>\$ 48,947,048</u>

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are required to be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

At December 31, 2013, the Town's deposits were \$207,870,278. This amount is inclusive of fiduciary fund deposits of \$160,529,391, investments in certificates of deposits of \$296,063 and restricted cash of \$587,521 but exclusive of petty cash of \$5,500. The bank balance was \$208,299,267. Of the total bank balance, \$1,250,105 was covered by the Federal Depository Insurance Corporation (FDIC) and \$25,634,105 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name and \$181,415,057 was covered by collateral held by the bank.

Credit Risk – State law and Town law limit investments to those authorized by State statutes. The Town has a written investment policy.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid a potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of December 31, 2013, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2013, individual fund interfund receivable and payable balances are generally expected to be paid currently. These balances represent various recharges, and/or reimbursements between funds and are stated as follows:

	Receivable	Payable
Governmental Activities:		
<u>Major Funds:</u>		
General Fund	\$ 111,836	\$ 15,024
Highway Fund	160,670	158,959
Refuse and Garbage Fund	533	110,700
Capital Projects Fund		4,593
<u>Nonmajor Funds:</u>		
Town Outside Village	128,817	
Special Grants		112,923
Paul J. Fitzpatrick Country Club	193	
Water Districts	150	
Total Governmental Funds	\$ 402,199	\$ 402,199

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

At December 31, 2013, individual fund interfund transfers balances representing legally authorized transfers, were as follows:

	Transfer In	Transfer Out
Governmental Activities:		
<u>Major Funds:</u>		
General Fund	\$ 71,273	\$ 255,600
Highway Fund	350,000	
Refuse and Garbage Fund		40,000
Capital Projects Fund	295,600	421,273
Total Governmental Funds	<u>\$ 716,873</u>	<u>\$ 716,873</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions/ Transfers	Balance 12/31/2013
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 17,661,763			\$ 17,661,763
Construction work in progress	173,585	\$ 1,637,956		1,811,541
Total capital assets not being depreciated	<u>17,835,348</u>	<u>1,637,956</u>	-0-	<u>19,473,304</u>
Depreciable/amortizable capital assets				
Buildings and improvements	19,981,996	167,456	\$ 7,564	20,141,888
Infrastructure	226,976,232	9,505,334	6,825,182	229,656,384
Machinery and equipment	31,075,242	1,388,817	33,350	32,430,709
Furniture and office equipment	3,136,605	185,265	49,020	3,272,850
Total depreciable capital assets	<u>281,170,075</u>	<u>11,246,872</u>	<u>6,915,116</u>	<u>285,501,831</u>
Less accumulated depreciation/amortization				
Buildings and improvements	9,984,144	437,310	6,365	10,415,089
Infrastructure	152,541,401	6,282,441	6,825,182	151,998,660
Machinery and equipment	23,212,948	2,086,787	30,950	25,268,785
Furniture and office equipment	1,656,998	190,770	32,029	1,815,739
Total accumulated depreciation	<u>\$ 187,395,491</u>	<u>\$ 8,997,308</u>	<u>\$ 6,894,526</u>	<u>189,498,273</u>
Total net depreciable capital assets				<u>96,003,558</u>
Total net capital assets				<u>\$ 115,476,862</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Depreciation expense was charged to the functions of the primary governments as follows:

Governmental Activities:

General government support	\$ 484,993
Public safety	289,374
Health	14,501
Transportation	6,621,642
Economic assistance and opportunity	4,121
Culture and recreation	1,015,441
Home and community services	567,236
Total depreciation expense - governmental activities	<u>\$ 8,997,308</u>

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2013, the Town has not recorded any such impairment losses.

D. INDEBTEDNESS

SHORT-TERM DEBT

Bond Anticipation Notes (BANs) – Bond anticipation notes (BANs) are generally used as a temporary means of financing capital expenditures. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs issued for assessable improvement projects, as found in the water districts, may be renewed for periods equivalent to maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. Liabilities for BANs are generally accounted for in the capital projects fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes or by the stipulated annual reductions of principal. At December 31, 2013 there were no outstanding BANs.

LONG-TERM DEBT

General Obligation Bonds - General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. General obligation bonds require the Town to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended December 31, 2013.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

During 2013, the Town issued \$6,742,200 of Public Improvement serial bonds at interest rates from 3.000% - 3.250% and maturing in installments from 2014 to 2028, to finance several projects throughout the Town. Such projects include various building improvements, the purchase of new equipment for the parks, municipal services facility, and highway departments, installation of energy efficient street lighting, rehabilitation of several traffic signals and road and lighting improvements in the Hauppauge Industrial Park. Accordingly, the Public Improvement serial bonds have been included in long-term liabilities at December 31, 2013.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 1.000% to 7.750% and have maturity dates from 2014 through 2029.

A summary of these bonds is as follows:

Governmental activities:

	Balance 1/1/2013	Issued	Redeemed	Balance 12/31/2013
<u>Major Funds:</u>				
General	\$ 11,025,200	\$ 1,118,200	\$ 1,956,400	\$ 10,187,000
Highway	590,500	3,564,000	141,600	4,012,900
Refuse and Garbage		805,000		805,000
<u>Nonmajor Funds:</u>				
Outside Village	540,300	620,000	130,000	1,030,300
Country Club	64,000		7,000	57,000
Street Lighting		510,000		510,000
Water	120,000	125,000	20,000	225,000
Total governmental activities	<u>\$ 12,340,000</u>	<u>\$ 6,742,200</u>	<u>\$ 2,255,000</u>	<u>\$ 16,827,200</u>

At December 31, 2013, bonds payable consisted of the following individual issues:

Governmental activities:

Issue	Purpose	Remaining Interest Range	Original Amount	Outstanding Amount	Final Maturity
General Obligation Serial Bonds-1988	Water	7.750%	\$ 485,000	\$ 100,000	November 1, 2018
General Obligation Serial Bonds-2003A	Public Improvement	3.000%-3.250%	3,500,000	1,000,000	December 15, 2018
General Obligation Serial Bonds-2004A	Public Improvement	3.625%-3.750%	1,650,000	175,000	June 15, 2014
General Obligation Serial Bonds-2005A	Public Improvement	3.500%-3.750%	1,505,000	350,000	December 1, 2015
General Obligation Serial Bonds-2006A	Public Improvement	4.000%-4.250%	2,615,000	575,000	December 15, 2015
General Obligation Serial Bonds-2007A	Public Improvement	4.000%-4.100%	4,265,000	1,500,000	December 15, 2016
General Obligation Serial Bonds-2010	Public Improvement	2.000%-3.250%	3,456,000	3,010,000	September 15, 2029
General Obligation Serial Bonds-2010	Refunding Bond	2.000 %-5.000%	3,745,000	1,620,000	June 15, 2016
General Obligation Serial Bonds-2011	Public Improvement	1.000%-3.250%	2,275,000	1,755,000	October 15, 2021
General Obligation Serial Bonds-2013	Public Improvement	3.000%-3.250%	6,742,200	6,742,200	August 15, 2028
			<u>\$30,238,200</u>	<u>\$16,827,200</u>	

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

Future principal and interest payments for the Town are as follows:

Governmental activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2014	\$ 2,707,200	\$ 538,932	\$ 3,246,132
2015	2,915,000	445,331	3,360,331
2016	2,455,000	340,294	2,795,294
2017	1,275,000	264,319	1,539,319
2018	1,315,000	226,269	1,541,269
2019-2023	3,150,000	735,581	3,885,581
2024-2028	2,780,000	300,588	3,080,588
2029	230,000	7,475	237,475
Totals	\$ 16,827,200	\$ 2,858,789	\$ 19,685,989

Capital Leases

During the year, the Town entered into a master lease-purchase agreement to finance the acquisition of equipment. The amount financed was \$402,000 and is to be repaid by the general fund over three years through August 2016 with annual payments totaling \$137,150, including annual interest at a rate of 1.71%. At December 31, 2013, the principal amount outstanding was \$402,000.

Future principal and interest payments for the Town are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2014	\$ 132,443	\$ 4,707	\$ 137,150
2015	133,994	3,156	137,150
2016	135,563	1,587	137,150
Totals	\$ 402,000	\$ 9,450	\$ 411,450

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Changes in Long-term Debt

Long-term liability activities for the year ended December 31, 2013 are as follows:

Governmental activities:

	Balance 1/1/2013	Increases	Reductions	Balance 12/31/2013	Non-current liabilities due within one year	Non-current liabilities
General obligation bonds	\$12,340,000	6,742,200	\$ 2,255,000	\$16,827,200	\$ 2,707,200	\$14,120,000
Plus deferred amounts:						
Premiums on issuance	150,178	274,613	56,163	368,628	68,368	300,260
Total bonds payable	<u>12,490,178</u>	<u>7,016,813</u>	<u>2,311,163</u>	<u>17,195,828</u>	<u>2,775,568</u>	<u>14,420,260</u>
Compensated absences	8,764,790	672,696	750,547	8,686,939	891,095	7,795,844
Capital leases	-0-	402,000		402,000	132,443	269,557
Claims and judgments	6,643,011	49,290	2,489,525	4,202,776	655,929	3,546,847
Estimated liability for landfill closure and postclosure care costs	10,351,705	1,426,100	430,955	11,346,850	430,845	10,916,005
Postemployment benefits healthcare costs	44,057,042	13,005,399	3,698,869	53,363,572		53,363,572
	<u>\$82,306,726</u>	<u>\$22,572,298</u>	<u>\$ 9,681,059</u>	<u>\$95,197,965</u>	<u>\$ 4,885,880</u>	<u>\$90,312,085</u>

Other long-term liabilities for compensated absences and postemployment benefits healthcare costs and costs are to be paid by the fund that gave rise to the liability. The estimated liability for landfill closure and post-closure is paid for from the general fund. Claims and judgments are being paid from the risk retention reserve which is funded by the operating account based on historical experience.

E. RETIREMENT SYSTEM

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244-0001.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first 10 years of membership, employees who joined on or after January 1, 2010 who contribute 3% of their salary for the entire length of service, and employees who joined on or after April 1, 2012, who contribute 3% to 6% of their salary, depending upon their annual wages, for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed as proportions of payroll members, used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2014 are as follows:

Contribution Rates

<u>Tier</u>	<u>Plan/ Option</u>	<u>3/31/2014 Rate</u>
1	75I	28.5%
2	75I	26.0%
3	A14	20.8%
4	A15	20.8%
5	A15	16.7%
6	A15	11.3%

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts. There are no contributions related to an early retirement incentive for Town employees. The credits and miscellaneous adjustments represent modification made by the NYSERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

The required contributions for the current year and two preceding years were:

Annual Required Contribution - ERS

	<u>Amount</u>	<u>Credits & Reconciliation/ Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2013	\$6,651,362	\$ 261,194	\$ (62,208)	\$6,850,348
2012	5,604,656	207,859	(52,309)	5,760,206
2011	4,594,758	(23,855)	(41,098)	4,529,805

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS

Plan Description

The Town of Smithtown, as a single-employer defined benefit, provides medical and Medicare Part B benefits to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by NYSHIP. The Town will pay 90%-100% of the full premium costs of the cost for individual coverage and 90% to 100% of the cost of their spouse or dependent coverage during the retiree's lifetime. The Town reimburses 100% of the Medicare Part B premium for the retiree and spouse.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Plan Description (continued)

Employees hired prior to August 28, 2003 require a retirement age of 55, with 10 years of service to receive 100% individual and dependent coverage. Employees hired after August 28, 2003 and before February 27, 2007 require a retirement age of 55, with 15 years of service to receive 100% individual and dependent coverage. Employees hired on or after February 27, 2007 require a retirement age of 55, with 15 years of service to receive 90% individual and dependent coverage. These groups must have 5 years of consecutive service immediately prior to retirement.

Surviving beneficiaries are permitted to stay in the plan provided that they make a contribution of 25% towards the cost of their medical coverage. NYSHIP regulations require the Town to continue payment of the Medicare Part B reimbursement for survivors that remain in the plan.

The Empire Plan has separate pre-Medicare and Medicare rates. Since the plans are community rated, the retiree claim costs are based on the actual rates without adjustment for age.

Benefits are provided as explained in the section entitled "Postemployment Benefits Healthcare Costs" located in the "Summary of Significant Accounting Policies". The retiree and their spouse are also eligible for Medicare Part B reimbursement in the amount of \$1,259 per year for 2013.

These contracts may be renegotiated at various times in the future.

The Town, as administrator of the plan, does not issue a separate report.

The number of participants as of January 1, 2012, the effective date of the OPEB valuation, follows. For active members it is assumed that 75% of male and 50% of female retirees will have covered spouses at retirement. There have been no significant changes in the number or the type of coverage since that date.

Active employees	450
Retired employees and spouses	290
Total	740

Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2013, the Town's annual other postemployment benefits cost (expenses) was \$13,005,399. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$3,698,869 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$9,306,530 for the year ended December 31, 2013.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Benefit Obligations and Normal Cost

	Medical Dental and Medicare B
Actuarial Accrued Liability (AAL)	
Active employees	\$ 99,802,377
Retired employees	65,341,843
Total Actuarial Accrued Liability (AAL)	165,144,220
Actuarial value of plan assets	-0-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 165,144,220
Funded ratio	0%
Annual covered payroll	\$ 36,134,831
UAAL as a percentage of covered payroll	457.0%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), which is an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town as of the January 1, 2012 valuation, projected for January 1, 2013 is \$165,144,220.

The following table shows the components of the Town's other postemployment benefits liability:

Level Dollar of Payroll Amortization

Calculation of ARC under the Projected Unit Credit Cost Method

Normal cost	\$ 4,291,626
Amortization of unfunded actuarial liability (UAAL) over 30 years	9,449,837
Annual required contribution (ARC)	13,741,463
Interest on net OPEB obligation	1,762,282
Adjustment to ARC	(2,498,346)
Annual OPEB Cost	13,005,399
Less: Contribution for year ended December 31, 2013	3,698,869
Increase in other postemployment benefits liability	9,306,530
Other postemployment benefits liability at December 31, 2012	44,057,042
Other postemployment benefits liability at December 31, 2013	\$ 53,363,572
Percentage of annual OPEB cost contributed	28.4%

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

Funded Status and Funding Progress

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current year and the preceding two years were:

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2013	\$ 13,005,399	\$ 3,698,869	28.4%	\$ 53,363,572
2012	12,664,492	3,558,684	28.1%	44,057,042
2011	12,959,597	3,619,572	27.9%	34,951,234

The primary government's funded status of the plan as of January 1, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2013	\$ -0-	\$ 165,144,220	\$ 165,144,220	0%	\$ 36,134,831	457.0%

The required scheduling of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% discount rate and for medical inflation an ultimate healthcare cost trend rate of 7.75% (pre 65) and negative 4.75% (post 65) initially, increased to 9.00% in the second year and then reduced by 1.00% decrements to an ultimate rate of 5.00% after 4 years. The UAAL is being amortized over 30 years, on a closed basis, using an interest rate of 4.00%. The remaining amortization period at December 31, 2013 was 24 years.

A copy of the Town of Smithtown's Postemployment Benefits, January 1, 2012 Valuation is available by contacting the Town of Smithtown, Office of the Town Comptroller, 40 Maple Avenue, Smithtown, New York 11787.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. DETAILED NOTES ON ALL FUNDS (continued)

G. COMPENSATED ABSENCES

Town employees are granted vacation, personal leave and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, personal leave and sick leave at various rates subject to certain maximum limitations.

Estimated vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation, personal leave and sick leave are dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for payments of vacation, personal leave and sick leave when such payments become due. As of December 31, 2013, the value of the accumulated vacation, personal leave and sick leave for governmental activities was \$8,686,939.

4. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

In common with other municipalities, the Town receives numerous notices of claims. Although the eventual outcome of these claims cannot be determined, the Town has estimated unsettled claims and litigation to be \$4,202,776. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position. The Town carries liability insurance coverage as follows:

Property

The Town carries insurance for property protection in excess of a \$100,000 deductible. The policy covers forty-two (42) locations for blanket building and contents of \$34,277,765 excluding windstorm and hail damage. The policy also excludes new "frame" buildings in the course of construction. Physical damage coverage covers up to \$10,577,590.

General and Auto Liability

The Town carries insurance for general and auto liability protection of \$10,000,000 per occurrence and \$10,000,000 in the aggregate in excess of self-insurance retention of \$1,500,000.

The Town carries an umbrella policy with \$10,000 in self-insurance and a limit of \$10,000,000 over and above general liability, auto liability and public officials' coverage. The public officials coverage is for \$10,000,000 with deductibles of \$250,000 for each wrongful act, \$100,000 for each employment practices violation, and \$500,000 for zoning.

The Town carries a crime policy for various incidences of theft, forgery and counterfeiting with deductibles up to \$10,000 and coverage up to \$2,000,000 per occurrence.

Other

The Town carries boiler and machinery coverage with a \$100,000 deductible and a damage limit of \$25,000,000.

The Town has equipment and electronic data processing coverage (EDP). Equipment has a 5% deductible (minimum of \$2,500) up to \$100,000 and a 10% deductible for equipment over \$100,001 (minimum of \$10,000). There is a defined equipment schedule; unscheduled equipment has a limit of \$1,350,000 with a maximum of \$50,000 for any one item and a \$5,000 deductible. EDP hardware and software have coverage of \$750,000 and \$100,000 respectively with a \$500 deductible except for mechanical and electrical breakdown which has a \$1,000 deductible.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

Other (continued)

The Town has pollution and storage tank insurance, that covers the Long Beach Marina in Smithtown, with a \$10,000 deductible and \$1,000,000 for each pollution incident and in the aggregate.

Workers' Compensation, General Liability and Unemployment Self- Insurance

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel, contracted third party administrators and assessing past experience with similar claims. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town is self-insured for workers' compensation claims insurance prior to June 1, 2006. Subsequent to that date, the Town became a member of the New York State Municipal Workers' Compensation Alliance Plan, which insures for workers compensation and employee liability payments. Estimated benefits to be paid are appropriated in the various operating funds of the Town that have payroll. The Town is also self-insured for unemployment benefits paid from the funds that have payroll.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years. The Town does have the ability to bond any tort claims which may be resolved against the Town and which are not covered by the catastrophic loss coverage.

The schedule below presents the changes in claim liabilities for the past two years for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2013	2012	2013	2012
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 5,513,417	\$ 2,500,000	\$ 1,129,594	\$ 1,177,662
Incurred claims and claim adjustment expenditures:				
Provision for the insured events of the current year and increases in provision for insured events of prior years	-0-	3,139,093	49,290	230,260
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	2,250,250	125,676	239,275	278,328
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 3,263,167</u>	<u>\$ 5,513,417</u>	<u>\$ 939,609</u>	<u>\$ 1,129,594</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

B. TAX CERTIORARIS

At December 31, 2013, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2013. These claims are the result of petitioners' complaints that their assessed property valuations are improper in that they represent overvaluations and unequal treatment. Under the Suffolk County Tax Act, any court ordered reductions to petitioners' assessments which result in a refund of prior years' taxes are paid by Suffolk County in subsequent years, through an adjustment of Suffolk County's tax rate for Town residents in these subsequent years. Reductions in petitioners' assessments will reduce the available property base upon which future tax levies are made.

In the opinion of the Town Attorney, amounts payable, if any, resulting from the settlement of the contingencies described above, will not materially affect the Town's financial position.

C. LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its municipal affairs. The Town primarily funds settlements of legal actions through current operating funds; however, the Town has the ability to fund settlements through bonding, if deemed necessary. Except as noted below, the Town Attorney is of the opinion that adverse decisions in those suits, either individually or in the aggregate, will not have a material adverse effect on the financial condition of the Town.

In common with other towns, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the Town Attorney for the Town, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have an adverse material effect on the financial condition of the Town, in view of the Town's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

Izzo v. Town of Smithtown

This action was brought by Robert and Neil Izzo, and is similar to the prior case against the Town entitled "Izzo I". The plaintiffs in this case are cousins with the plaintiffs in the prior case. The allegations are that the Town illegally dumped leaves and buried yard waste on the Izzo's property. A Motion for Summary Judgment ("MSJ") has been filed on behalf of the Town. The argument being made is that the Complaint is time barred, having occurred in 1970 and not saved by the continuing tort doctrine. Plaintiff's Notice of Claim does not contain a continuing tort theory of liability. It is also argued that Plaintiff has not alleged viable theory of compensable damages, as the Town believes that the property has not diminished in value despite the bagged leaves. Izzo I settled in the amount of \$1.2 million. If the MSJ is denied in this case, the potential exposure for this matter would be similar to the Izzo I settlement.

Rebolini v. Town of Smithtown

Plaintiff alleges that the Town failed to properly maintain a storm drain and sump pump, which caused the area around their house to flood resulting in water damage to their home/property. Plaintiff's attached garage to their premises was below street level. As a result of an unusual rain storm, flooding occurred in plaintiffs home. The damages are alleged to be in excess of \$300,000. A motion to dismiss has been filed.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LITIGATION (continued)

Zeqiri v. Town of Smithtown

This case involves the death of a young man who drowned in a cesspool located on private property. The owner of the property had been cited with numerous violations issued by the Town for many years before the accident for failure to keep the premises free of debris. None of the violations pertain to the cesspools located on the property. Liability in this case against the Town remains tenuous at best. The case has been temporarily stayed due to the bankruptcy filing of one of the co-defendants, Mr. Bobcat. It is alleged that this party plowed snow from the lot and may have caused damage to the manhole cover. To date, no one has been able to actually identify how the sewer came to be in disrepair. Defense counsel anticipates that discovery will recommence and that a witness from the Town will eventually be produced.

Defense counsel believes this is a case where a summary judgment motion may be appropriate upon the completion of discovery. Should liability be assessed against the Town, there could be a verdict in excess of \$1.0 million. Since there is \$3.0 million of coverage at issue, the way in which plaintiff's counsel will litigate against the remaining defendants in the underlying wrongful death action may be affected by the outcome of the declaratory judgment case.

Castrillon v. Town of Smithtown

This claim involves a 19 year old decedent who struck his head while skateboarding on Kings Park Hike and Bike Trail. The Town is licensed by New York State to operate this path. The co-defendant, Landtek Group has recently impleaded two paving companies to whom they subbed out the actual paving work. Plaintiff has now moved for leave of Court to elevate those new Third Party defendants to Defendant status. Defense Counsel has not opposed this as it is in the Town's best interest to have two extra liability carriers at the table.

The discovery stage is currently stalled due to County's Motion to Dismiss. Defense counsel's strategy continues to be moving the file towards summary judgment based on lack of prior written notice. In the unlikely event the Town is found liable, damages could reach up to \$350,000.

Manzella v. Town of Smithtown

This claim involves plaintiff's allegations surrounding the negligent snow piling and maintenance of the roadway on Terry Road and Elizabeth Avenue in the Town of Smithtown, which resulted in an intersection accident resulting in injuries to claimant's pelvis, ankles, face, head and other injuries.

An evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount of range of potential loss: This action revolves around foreseeability concerning the creation of the alleged defect under the recent case law. Plaintiff's injuries involve a left ankle fracture with open reduction internal fixation and a left acetabular and public rami fracture with surgery. Thus, should the defect be casually related to the plaintiffs' injuries, the value of this matter could sustain a mid-six figure value, and the likelihood of an unfavorable outcome is 40-50%.

Jadeco v. Town of Smithtown

This action was brought by Jadeco Construction Corp. seeking payment of \$441,667 in connection with Bid No. 08-050, which related to the installation of concrete curbs and sidewalks. The contract for Bid No. 08-050 was for a one year term through June 17, 2008 and provided for two additional extensions of one year. These extensions were exercised, and the contract expired according to its terms on June 17, 2011. As a result of an inadvertent error, the Purchasing Department extended the contract through June 30, 2011. In addition, on June 29, 2011, the Highway Superintendent, Glenn Jorgensen, issued a Work Order to Jadeco for curb and sidewalk repair in the amount of \$988,668. Pursuant to this Work Order, Jadeco submitted an invoice to the Town in the amount of \$497,212. \$55,545 was paid before the error as to the expiration date came to light.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LITIGATION (continued)

Jadeco v. Town of Smithtown (continued)

Currently, Jadeco is seeking payment of the \$441,667 for work performed and the Town is seeking to recover the \$55,545 which was paid after the bid expired. A Motion for Summary Judgment by the Town was recently denied by the Court. This decision is being appealed to the Appellate Division, Second Department.

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal Laws and Regulations require the Town to place a final cover on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at those sites for thirty years after closure. Cells 1-5 landfill sites stopped accepting waste as of November 10, 1990, and Cell 6 stopped accepting waste as of December 31, 1997. In September, 2010 the capping of Cell 6 was completed and accepted by the New York State Department of Environmental Conservation certification.

As the liability is based on 100% capacity, there are no estimated costs for closure and postclosure remaining to be recognized. The Town reports a portion of these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. Postclosure care costs and monitoring activities for Cells 1-5 and Cell 6 were estimated to be approximately \$578,500 per year for 2013. Actual costs for Cells 1-5 and Cell 6 were \$137,074 and \$293,881, respectively, for the year ended December 31, 2013. The remaining postclosure costs for Cells 1-5 and Cell 6 approximates \$2,726,500 and \$8,620,350, respectively.

Accordingly, as of December 31, 2013, the Town has recorded an estimated liability of \$11,346,850, in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the general fund and may be higher or lower due to inflation, changes in technology, or changes in regulations, applicable laws or conditions on the ground.

E. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress and other capital commitments for governmental activities capital projects are \$543,854.

F. MUNICIPAL COOPERATION AGREEMENTS

In December 1989, The Town entered into a Municipal Cooperation Agreement with the Town of Huntington in order to address the solid waste disposal concerns of both Towns. The agreement provided for the use of the Town's landfill by the Town of Huntington during the construction of a resource recovery facility in Huntington, which would be shared by both Towns. The agreement calls for the Town of Huntington to pay the Town certain charges for use of the landfill. Allocation of charges is based on the percentage of total solid waste disposed by each Town. The Town of Smithtown is responsible for 37.1% of the landfill costs and the Town of Huntington is responsible for 62.9% of the landfill costs.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

F. MUNICIPAL COOPERATION AGREEMENTS (continued)

In addition, the Town is party to a number of Intermunicipal Agreements as follows:

- Village of the Branch for solid waste collection and disposal services, repair and maintenance of Village streets, and the installation of traffic signs and the application of thermoplastic pavement markings on Village streets.
- Village of Head of the Harbor for the repair and maintenance of Village streets, and the installation of traffic signs and the application of thermoplastic pavement markings on Village streets.
- Incorporated Village of Nissequogue for the repair and maintenance of Village streets, the installation of traffic signs and the application of thermoplastic pavement markings on Village streets, the use of the Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations, and the use of the Edward Mankuski Fire Training Center.
- Islip Resource Recovery Agency for construction and demolition cleanfill disposal.
- Towns of Babylon and Brookhaven with the Town of Huntington for transportation and disposal of all of the Huntington Resource Recovery Facility ash residue at the Babylon and Brookhaven landfills.
- Town of Brookhaven to accept delivery and dispose of glass cullet and street sweepings at the Brookhaven Landfill.

G. RESOURCE RECOVERY FACILITY

In 1989, the Town entered into an agreement with the Town of Huntington to construct a resource recovery facility. The facility was financed with \$176,550,000 of bonds issued by the Environmental Facilities Corporation. These bonds were refunded on July 29, 1999 by the issuance of \$136,045,000 of Suffolk County Industrial Development Agency bonds. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges were \$5,856,966 for 2013, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

H. GRANTS

The Town has received grants in excess of \$6,000,000, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State Government. Based on past experience, the Town administration believes disallowances, if any, will be immaterial.

I. LEASE COMMITMENTS AND LEASED ASSETS

The Town leases various buildings and land to various parties under operating lease agreements with terms ranging from one year to fifteen years. The leases generally require the lessees to pay repairs and maintenance and utilities. Future minimum rental income under existing operating leases at December 31, 2013 are as follows:

Years Ending December 31, 2014	\$	199,613
2015		193,425
2016		169,732
2017		174,667
2018		179,751
2019-2023		530,518
2024-2028		26,000
Totals	\$	<u>1,473,706</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

I. LEASE COMMITMENTS AND LEASED ASSETS (continued)

The Town leases office equipment under non-cancelable leases that commenced between April 2009 and May 2014, and expire between March 2014 and April 2017. Total rental expenditures on such leases for the year ended December 31, 2013, totaled \$43,879. The minimum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2014	\$	42,168
2015		22,953
2016		12,525
2017		2,092
Totals	<u>\$</u>	<u>79,738</u>

J. PERMANENT FUND

The Town established the Nissequogue River Improvement Trust Fund (NRITF) upon acceptance of a donation from PMV Smithtown Associates in the amount of \$125,000 and the adoption of a Town Board Resolution (TBR) on August 26, 1997. This was a private donation for the express purpose of assisting in the protection and improvement of the Nissequogue River. The guidelines provided that the original amount is invested in secured or guaranteed instruments as per the Town's investment policy and all interest and income derived to be either reinvested as additional unexpendable principal or used for defined purposes. There was a second donation of \$66,000 from P. J. Venture accepted by TBR on July 10, 2001. There have also been a number of small donations and income from the sale of recyclable inkjet cartridges deposited in the NRITF. The funds are invested as unexpendable principal and income from those investments can either be invested as additional principal or used for defined purposes. The purpose, as defined in the NRITF administrative guidelines, for which the income can be used include but are not limited to fish stock enhancement, wildlife habitat improvement, public assess improvements, drainage and erosion control projects designed to improve river water quality, and the acquisition of interest up to and including fee simple interest in lands necessary for the maintenance or improvement of environmental quality of the Nissequogue River. Expenditure of funds can only occur upon the joint approval of the Environmental Protection Director and the Conservation board of the Town. It is understood and acceptable for the income from the NRITF to be accumulated over a number of years to allow for the funding of projects larger than would otherwise be possible. Upon the absence of direction to the contrary, the Comptroller is required to automatically reinvest income as unexpendable principal. There have been no authorized expenditures from the NRITF. The amount of total fund balance recorded as nonspendable and total net assets restricted as nonexpendable at December 31, 2013 amount to \$296,063 including \$2,064 in 2013 interest earnings.

K. SERVICE CONCESSION ARRANGEMENTS

In 2002 the Town entered into an agreement with Lessing's Inc. for the exclusive right to operate, manage and assume responsibility for all restaurants, banquet catering, snack bars, cafeterias, liquor bars, refreshment stand, candy stand, vending machines and other such food facilities at the Smithtown Landing Country Club for the next ten years and with provision for a five year extension. In 2012, the Town extended the agreement for an additional term of five years, ending on December 17, 2017 with provision of an additional five year extension. Lessing's Inc. will pay the Town an annual license fee. The value of these payments is estimated to be \$127,000 for the remaining period ending December 31, 2014 and \$395,000 for the period 2015 through 2017, without further without extension. The Town reports the Smithtown Landing Country Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2013, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$522,000.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

K. SERVICE CONCESSION ARRANGEMENTS (continued)

In 1994 the Town entered into an agreement with Michael Hebron for the professional management and operation of the Town of Smithtown Golf Course. This contract was extended in 2000 for a fifteen (15) year period ending December 31, 2014 and further extended in 2008 to cover years 2015 through 2019. There was an additional amendment on December 31, 2011 regarding capital improvement funding and fee payments. In addition to the management and operation of the golf course, the agreement covers operation and maintenance of the Pro Shop, providing professional golf lessons and maintaining gas powered and hand carts. Michael Hebron will pay the Town an annual fee and capital improvements payment. The years 2015 through 2019 may be subject to renegotiation, upon the request of either party in the year 2015. If the parties fail to agree to a different rate schedule then the existing schedule will remain in effect. The value of these payments is estimated to be \$334,000 for the remaining period ending December 31, 2014 and \$1,781,000 for the period 2015 through 2019, without further extension. The Town reports the Smithtown Golf Course Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2013, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$2,115,000.

At December 31, 2013, the value of the two Service Concession Arrangements combined are \$2,637,000.

L. COMMACK VOLUNTEER AMBULANCE CORPS. SERVICE AWARD PROGRAM (LOSAP)

The Town's financial statements are for the year ended December 31, 2013. However, the information contained in this note is based on information for the LOSAP for the plan year ended December 31, 2012, which is the most recent plan year for which complete information is available.

The Town of Huntington and the Town of Smithtown established a defined benefit (LOSAP) plan for the active volunteer firefighters of the Commack Volunteer Ambulance Corps. The program took effect on January 1, 2002. The program was established pursuant to Article 11-AAA, section 219-p of New York State General Municipal Law. The program provides municipally funded pension-like benefits to facilitate the recruitment and retention of active volunteer ambulance workers. Along with the Town of Huntington, the Town of Smithtown is a sponsor of the program. The plan is administered by Penflex, Inc. with all provisions and amendments subject to approval of the plan sponsors. The plan does not issue a separate audited report.

Program Description

Participation, vesting and service credit

Active volunteer ambulance workers who have reached the age of 65, except in the case of total and permanent disability or death, and have completed five years of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service, upon attaining the program's entitlement age, or is awarded a finding of total and permanent disability. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which they accumulate the required number of points in accordance with the system adopted by the program sponsor. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. Participants also received credit for 5 years of firefighting service rendered prior to the establishment of the program.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

L. COMMACK VOLUNTEER AMBULANCE CORPS. SERVICE AWARD PROGRAM (LOSAP)
(continued)

Benefits

A participant's benefit under the program is a straight life annuity equal to \$20 multiplied by the person's total number of volunteer ambulance service years with a maximum award of \$800 for 40 or more years of service. Except in the case of total and permanent disability or death, benefits are payable when a participant reaches entitlement age of 65. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program.

Authority to invest program assets is vested in the trustee, Glen Falls National Bank and Trust Company, in accordance with the trust agreement dated October 18, 2001. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated September 10, 2013.

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2012		\$	691,143
Assets Available for Benefits			
Trust fund	100%	\$	835,007
Total Net Assets Available for Benefits			835,007
Total Unfunded Benefits/Surplus			(143,864)
Unfunded Liability/Surplus for Prior Service			-0-
Unfunded Normal benefits			\$ (143,864)

Prior Service Costs

Prior service costs were paid off over the first five years of the plan.

Receipts and Disbursements

Plan Net Assets, beginning of year		\$	703,107
Changes during the year:			
(+) Plan contributions		\$	69,687
(+) Investment income earned			19,658
(+/-) Changes in fair market value of investments			59,801
(-) Plan benefit withdrawals			(9,732)
(-) Administrative and other fees/charges			(7,514)
			131,900
Plan Net Assets, end of year			\$ 835,007

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. COMMITMENTS AND CONTINGENCIES (continued)

L. COMMACK VOLUNTEER AMBULANCE CORPS. SERVICE AWARD PROGRAM (LOSAP)
(continued)

Program Financial Condition (continued)

Contributions

Amount of sponsor's contribution recommended by the actuary:	\$	63,646
Amount of sponsor's actual contribution:	\$	63,646
Town of Smithtown contribution for plans with multiple sponsors	\$	40,925
Plan funding percent		121%

Administration Fees

Fees paid to designated program administrator	\$	3,815
Fees paid to trustee	\$	3,699
Fees paid for investment management		None
Fee paid to actuary		None
Other administration fees		None

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contributions is the Attained Age Normal Frozen Initial Liability Cost Method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return of investment 6.50%

Mortality Tables used for:

Withdrawal	None
Disability	None
Retirement	50/50 blend 1994 US Uninsured Pensioner Mortality Table for Females and Males projected to 2007 with scale AA
Death (Actives)	None
Death (Inactive)	None

5. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Pensions"—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 69 "Government Combinations and Disposals of Government Operations". The statement establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

5. NEW PRONOUNCEMENTS (continued)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70 *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71 *“Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

The Town is currently evaluating the impact, if any, of the above pronouncements.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

<p>Schedules of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual Major Governmental Funds and Schedules Postemployment Benefits Healthcare Costs – Schedule of Funding Progress</p>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations can be made. The capital projects fund is budgeted on a project or grant basis.

The Town adopts the budget and establishes legal level of control of the budget at the object level expenditures. The object level identifies expenditures by the article purchased or service obtained to carry out a function.

TOWN OF SMITHTOWN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 20,995,645	\$ 20,995,645	\$ 20,995,645	\$ -0-
Real property tax items	342,000	342,000	459,144	117,144
Non-property tax items	2,250,000	2,250,000	2,289,837	39,837
Departmental income	9,351,750	9,363,350	9,451,008	87,658
Intergovernmental charges	344,200	345,900	408,859	62,959
Use of money and property	390,200	390,200	413,381	23,181
Licenses and permits	125,330	125,330	162,402	37,072
Fines and forfeitures	163,500	163,500	149,936	(13,564)
Sale of property and compensation for loss	1,500	1,500	8,010	6,510
Miscellaneous revenue	16,100	17,492	48,480	30,988
Interfund revenues			53,763	53,763
State aid	5,667,395	5,383,698	5,743,258	359,560
Federal aid	175,000	632,124	540,078	(92,046)
Total revenues	<u>39,822,620</u>	<u>40,010,739</u>	<u>40,723,801</u>	<u>713,062</u>
EXPENDITURES				
Current:				
General government support	11,927,127	11,506,075	10,593,719	912,356
Public safety	2,919,341	3,279,853	3,010,383	269,470
Health	979,001	1,055,885	904,035	151,850
Transportation	939,378	960,934	955,354	5,580
Economic assistance and opportunity	7,500	7,500	645	6,855
Culture and recreation	6,600,816	6,527,555	6,021,410	506,145
Home and community services	6,025,958	6,095,070	5,198,450	896,620
Employee benefits	11,103,645	11,213,818	11,096,668	117,150
Debt service:				
Principal	1,956,400	1,956,400	1,956,400	-0-
Interest	363,454	363,454	363,454	-0-
Total expenditures	<u>42,822,620</u>	<u>42,966,544</u>	<u>40,100,518</u>	<u>2,866,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,000,000)</u>	<u>(2,955,805)</u>	<u>623,283</u>	<u>3,579,088</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			71,273	71,273
Transfers out		(255,600)	(255,600)	-0-
Premiums of debt issuance			45,586	45,586
Total other financing sources (uses)	<u>-0-</u>	<u>(255,600)</u>	<u>(138,741)</u>	<u>116,859</u>
Net change in fund balance	<u>\$ (3,000,000)</u>	<u>\$ (3,211,405)</u>	<u>484,542</u>	<u>\$ 3,695,947</u>
Fund balance at beginning of year			16,001,476	
Fund balance at end of year			<u>\$ 16,486,018</u>	

TOWN OF SMITHTOWN

HIGHWAY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 26,410,640	\$ 26,410,640	\$ 26,410,640	\$ -0-
Real property tax items	243,500	243,500	235,455	(8,045)
Intergovernmental charges		41,609	58,182	16,573
Use of money and property	40,000	40,000	38,254	(1,746)
Licenses and permits	21,500	21,500	39,150	17,650
Sale of property and compensation for loss		1,058	1,058	-0-
Miscellaneous local sources			89	89
State aid	737,000	1,011,059	1,010,891	(168)
Federal aid		505,047	505,047	-0-
Total revenues	<u>27,452,640</u>	<u>28,274,413</u>	<u>28,298,766</u>	<u>24,353</u>
EXPENDITURES				
Current:				
Transportation	22,348,954	23,507,808	22,372,006	1,135,802
Employee benefits	6,438,656	6,701,091	6,701,091	-0-
Debt service:				
Principal	141,600	141,600	141,600	-0-
Interest	23,430	23,430	23,430	-0-
Total expenditures	<u>28,952,640</u>	<u>30,373,929</u>	<u>29,238,127</u>	<u>1,135,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,500,000)</u>	<u>(2,099,516)</u>	<u>(939,361)</u>	<u>1,160,155</u>
OTHER FINANCING SOURCES				
Transfers in		350,000	350,000	-0-
Premiums of debt issuance			145,270	145,270
Total other financing sources	<u>-0-</u>	<u>350,000</u>	<u>495,270</u>	<u>145,270</u>
Net change in fund balance	<u>\$ (1,500,000)</u>	<u>\$ (1,749,516)</u>	<u>(444,091)</u>	<u>\$ 1,305,425</u>
Fund balance at beginning of year			<u>9,022,031</u>	
Fund balance at end of year			<u>\$ 8,577,940</u>	

TOWN OF SMITHTOWN
REFUSE AND GARBAGE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Departmental income	\$ 11,108,100	\$ 11,108,100	\$ 11,064,561	\$ (43,539)
Intergovernmental charges	429,365	429,365	450,483	21,118
Use of money and property	50,000	50,000	36,347	(13,653)
Sale of property and compensation for loss	861,000	861,000	1,268,905	407,905
Interfund revenues	160,000	218,400	58,430	(159,970)
State aid	55,000	55,000	11,900	(43,100)
Federal aid		2,693	2,693	-0-
Total revenues	<u>12,663,465</u>	<u>12,724,558</u>	<u>12,893,319</u>	<u>168,761</u>
EXPENDITURES				
Current:				
Home and community services	13,216,777	13,255,457	12,338,707	916,750
Employee benefits	1,219,755	1,242,168	1,235,190	6,978
Total expenditures	<u>14,436,532</u>	<u>14,497,625</u>	<u>13,573,897</u>	<u>923,728</u>
Excess of revenues over expenditures	<u>(1,773,067)</u>	<u>(1,773,067)</u>	<u>(680,578)</u>	<u>1,092,489</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(40,000)	(40,000)	-0-
Premiums of debt issuance			32,679	32,679
Total other financing sources (uses)	<u>-0-</u>	<u>(40,000)</u>	<u>(7,321)</u>	<u>32,679</u>
Net change in fund balance	<u>\$ (1,773,067)</u>	<u>\$ (1,813,067)</u>	<u>(687,899)</u>	<u>\$ 1,125,168</u>
Fund balance at beginning of year			<u>7,159,870</u>	
Fund balance at end of year			<u>\$ 6,471,971</u>	

TOWN OF SMITHTOWN
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2013	\$ -0-	\$ 165,144,220	\$ 165,144,220 *	0%	\$ 36,134,831	457.0%
1/1/2012	-0-	155,259,894	155,259,894	0%	35,426,305	438.3%
1/1/2011	-0-	153,376,237	153,376,237 *	0%	34,900,122	439.5%

*Projected in prior year valuation.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances Nonmajor Governmental Funds
Statement of Changes in Agency Assets and Liabilities Fiduciary Funds

TOWN OF SMITHTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

		Special Revenue Funds			
		Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
ASSETS					
Cash and investments		\$ 1,608,758	\$ 203,468	\$ 3,867,827	\$ 948,143
Cash and investments - restricted			21,133		
Accounts receivable		14,835	207	1,404	
Due from other funds		128,817			
Due from other governments		2,330	57,596		
Prepays		197,761	99,058	886,077	26,866
Total assets		\$ 1,952,501	\$ 381,462	\$ 4,755,308	\$ 975,009
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities		\$ 328,244	\$ 55,245	\$ 161,320	\$ 128,505
Due to other funds			112,923		
Other liabilities			21,133		
Total liabilities		328,244	189,301	161,320	128,505
FUND BALANCES					
Nonspendable		197,761	99,058	886,077	26,866
Restricted			93,103		
Assigned		1,426,496		3,707,911	819,638
Total fund balances		1,624,257	192,161	4,593,988	846,504
Total liabilities and fund balances		\$ 1,952,501	\$ 381,462	\$ 4,755,308	\$ 975,009

Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Permanent Fund Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 169,908	\$ 294,431	\$ 810,144	\$ 296,063	\$ 7,902,679
	13,289	813,085		317,196
	193	150		842,820
	6,010	33,872		129,160
				59,926
				1,249,644
<u>\$ 169,908</u>	<u>\$ 313,923</u>	<u>\$ 1,657,251</u>	<u>\$ 296,063</u>	<u>\$ 10,501,425</u>
	\$ 33,681	\$ 235,065		\$ 942,060
				112,923
				21,133
<u>-0-</u>	<u>33,681</u>	<u>235,065</u>	<u>-0-</u>	<u>1,076,116</u>
	6,010	33,872	\$ 296,063	1,545,707
\$ 169,908	274,232	1,388,314		93,103
169,908	280,242	1,422,186	296,063	7,786,499
<u>\$ 169,908</u>	<u>\$ 313,923</u>	<u>\$ 1,657,251</u>	<u>\$ 296,063</u>	<u>\$ 10,501,425</u>

TOWN OF SMITHTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2013

	Special Revenue Funds			
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
REVENUES				
Real property taxes	\$ 3,832,158			\$ 1,769,938
Real property tax items	34,720			14,491
Departmental income	393,842			
Intergovernmental charges	24,536			984
Use of money and property	8,868	\$ 257	\$ 24,247	3,725
Licenses and permits	1,779,605			
Sale of property and compensation for loss	6,559		178,631	8,561
Miscellaneous local sources	2,461	6,571	616,132	
Interfund revenue	146,978			
State and local aid	285,000			
Federal aid	114,652	1,756,549		147,704
Total revenues	<u>6,629,379</u>	<u>1,763,377</u>	<u>819,010</u>	<u>1,945,403</u>
EXPENDITURES				
Current:				
General governmental support	99,659		690,686	
Public safety	3,088,987			
Health				
Transportation				1,572,494
Culture and recreation				
Home and community services	1,868,630	1,723,761		
Employee benefits	2,385,480		1,147,471	303,078
Debt Service:				
Principal	130,000			
Interest	21,749			
Total expenditures	<u>7,594,505</u>	<u>1,723,761</u>	<u>1,838,157</u>	<u>1,875,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965,126)</u>	<u>39,616</u>	<u>(1,019,147)</u>	<u>69,831</u>
OTHER FINANCING SOURCES				
Premiums on debt issuance	25,264			20,871
Total other financing sources	<u>25,264</u>	<u>-0-</u>	<u>-0-</u>	<u>20,871</u>
Net change in fund balances	<u>(939,862)</u>	<u>39,616</u>	<u>(1,019,147)</u>	<u>90,702</u>
Fund balances at beginning of year	<u>2,564,119</u>	<u>152,545</u>	<u>5,613,135</u>	<u>755,802</u>
Fund balances at end of year	<u>\$ 1,624,257</u>	<u>\$ 192,161</u>	<u>\$ 4,593,988</u>	<u>\$ 846,504</u>

Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Permanent Fund Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 1,309,800 43,713		\$ 48,453		\$ 6,960,349
	\$ 501,590	3,637,059		92,924
1,594	1,692 41,270	5,093	\$ 2,064	4,532,491
				25,520
				47,540
				1,820,875
				193,751
				625,164
				146,978
				285,000
	6,271			2,025,176
<u>1,355,107</u>	<u>550,823</u>	<u>3,690,605</u>	<u>2,064</u>	<u>16,755,768</u>
				790,345
				3,088,987
1,327,916				1,327,916
	457,297			1,572,494
		3,096,866		457,297
	60,214	529,142		6,689,257
				4,425,385
	7,000	20,000		157,000
	1,905	9,300		32,954
<u>1,327,916</u>	<u>526,416</u>	<u>3,655,308</u>	<u>-0-</u>	<u>18,541,635</u>
<u>27,191</u>	<u>24,407</u>	<u>35,297</u>	<u>2,064</u>	<u>(1,785,867)</u>
		4,943		51,078
<u>-0-</u>	<u>-0-</u>	<u>4,943</u>	<u>-0-</u>	<u>51,078</u>
<u>27,191</u>	<u>24,407</u>	<u>40,240</u>	<u>2,064</u>	<u>(1,734,789)</u>
<u>142,717</u>	<u>255,835</u>	<u>1,381,946</u>	<u>293,999</u>	<u>11,160,098</u>
<u>\$ 169,908</u>	<u>\$ 280,242</u>	<u>\$ 1,422,186</u>	<u>\$ 296,063</u>	<u>\$ 9,425,309</u>

TOWN OF SMITHTOWN
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Year ended December 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
ASSETS				
Town Agency				
Cash and investments	\$ 2,077,908	\$ 601,870,179	\$ 600,963,664	\$ 2,984,423
Accounts receivable	34	6,689	892	5,831
Total Assets - Town	<u>2,077,942</u>	<u>601,876,868</u>	<u>600,964,556</u>	<u>2,990,254</u>
Town Clerk Agency Fund				
Cash and investments	80,201	687,308	655,479	112,030
Total Assets - Town Clerk	<u>80,201</u>	<u>687,308</u>	<u>655,479</u>	<u>112,030</u>
Town Receiver of Taxes Agency Fund				
Cash and investments	139,339,960	487,743,888	469,650,910	157,432,938
Total Assets - Tax Receiver	<u>139,339,960</u>	<u>487,743,888</u>	<u>469,650,910</u>	<u>157,432,938</u>
Total Assets	<u>\$ 141,498,103</u>	<u>\$ 1,090,308,064</u>	<u>\$ 1,071,270,945</u>	<u>\$ 160,535,222</u>
LIABILITIES				
Town Agency				
Accounts payable and accrued liabilities	\$ 309,770	\$ 162,996,032	\$ 162,056,373	\$ 1,249,429
Agency Liabilities				
Escrow deposits	1,090,439	383,647	209,581	1,264,505
Water main deposits	77,683	75,103	110,263	42,523
Subdivision escrow deposits	329,455	5,050		334,505
Tax Warrant and IDA taxes	270,595	438,417,036	438,588,339	99,292
Total Liabilities - Town	<u>2,077,942</u>	<u>601,876,868</u>	<u>600,964,556</u>	<u>2,990,254</u>
Town Clerk Agency Fund	80,201	687,308	655,479	112,030
Total Liabilities - Town Clerk	<u>80,201</u>	<u>687,308</u>	<u>655,479</u>	<u>112,030</u>
Town Receiver of Taxes Agency Fund				
Due to schools	100,207,230	453,254,235	437,185,533	116,275,932
Other liabilities	39,132,730	34,489,653	32,465,377	41,157,006
Total Liabilities - Tax Receiver	<u>139,339,960</u>	<u>487,743,888</u>	<u>469,650,910</u>	<u>157,432,938</u>
Total Liabilities	<u>\$ 141,498,103</u>	<u>\$ 1,090,308,064</u>	<u>\$ 1,071,270,945</u>	<u>\$ 160,535,222</u>