

TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
December 31, 2012

**TOWN OF SMITHTOWN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
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INTRODUCTORY SECTION

TOWN OF SMITHTOWN
PRINCIPAL OFFICIALS
December 31, 2012

ELECTED OFFICIALS

TOWN BOARD:

Supervisor	Patrick R. Vecchio
Councilman	Thomas J. McCarthy
Councilman	Edward R. Wehrheim
Councilman	Robert Creighton
Councilman	Kevin J. Malloy

TOWN CLERK

Vincent Puleo

RECEIVER OF TAXES

Deanna Varricchio

SUPERINTENDENT OF HIGHWAYS

Glenn Jorgensen

APPOINTED OFFICIALS

Town Assessor	Peter D. Johnson
Town Attorney	John Zollo
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, as of and for the year ended December 31, 2012, 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 of 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.

PERSONAL SERVICE. TRUSTED ADVICE. 

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Opinions

In our opinion, based on our audit, 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, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Note 1.H to the basic financial statements, the Town of Smithtown, New York adopted the provisions of Governmental Accounting Standards Board No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*" and Governmental Accounting Standards Board No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*" as of and for the year ended December 31, 2012.

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 of Smithtown, New York's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 the basic financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual nonmajor financial statements and schedules 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the Town of Smithtown, New York'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 of Smithtown, New York's internal control over financial reporting and compliance.

Alum, Vijay, Zuh & Comp P.C.

Hauppauge, New York
September 23, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

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TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

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, 2012. Please read it in conjunction with the Town's financial statements.

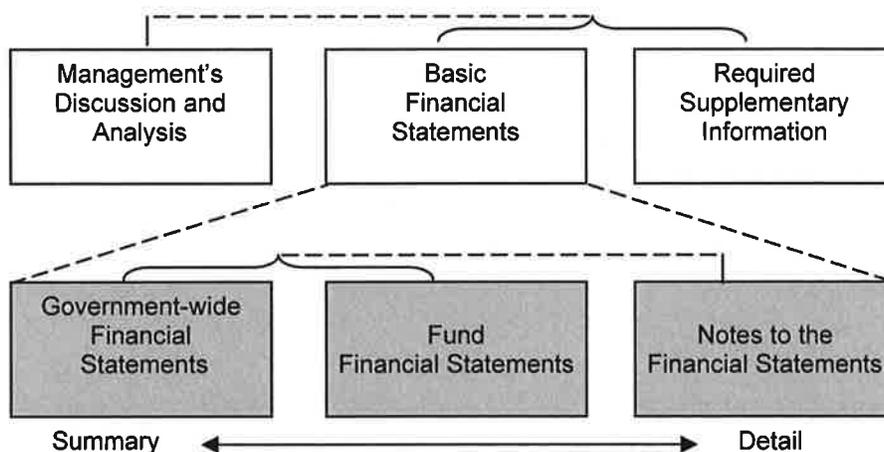
FINANCIAL HIGHLIGHTS

- The assets of the Town exceed its liabilities and deferred inflows of resources at the close of 2012 by \$76,710,764 (net position).
- The Town's total net position decreased by \$6,849,115 or 8.20% after the change in presentation and prior period adjustments.
- As of the close of 2012, the Town's governmental funds reported combined ending fund balances of \$46,988,068, a decrease of \$852,091. When taking into account the change in presentation, \$1,920,403 and prior period adjustments, \$2,836,008, fund balance increased by \$3,904,320, from the prior year. Of this amount, \$3,320,461 is not in spendable form or is required to remain intact. The remaining \$43,667,607 or approximately 92.9% 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 2012, the Town's total fund balance for the General Fund was \$16,001,476, a decrease of 11.0% from the prior year. The assigned and unassigned fund balance for the General Fund was \$14,973,949, or 36.2% of total General Fund expenditures and other uses.
- The Town's total bonded debt outstanding was \$12,340,000 a decrease of \$2,485,000 or 16.8%.

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

**COMPONENTS OF
THE ANNUAL FINANCIAL REPORT**



TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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.

The Statement of Net Assets presents financial information on all of the Town's assets and liabilities, 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 is 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)

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. These reclassifications are for the service concession arrangements and the agency funds. Amounts relating to the change in presentation, for funds formerly classified as business-type activities, have not been reclassified for this year. Comparative schedules will be available in the 2013 financial statements. For 2012 it would be best to look at the total of the 2011 governmental and business-type activities when comparing to 2012. For more information on the change in presentation and prior period adjustments see Note 5 and Note 6 to the financial statements

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, restriction 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.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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 change 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.

The Town adopts an annual appropriated budget for its General Fund and Special Revenue Funds. The budget for the Capital 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".

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.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$76,710,764 at the close of the most recent year.

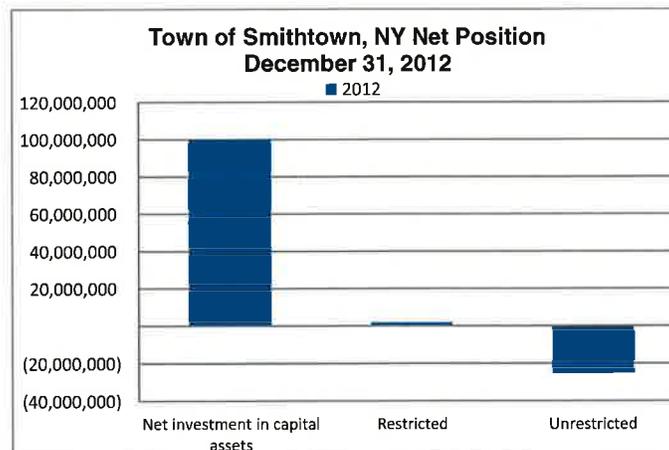
Based on a review of the criteria for reporting business-type activities, beginning in 2012 the Town no longer will be reporting business-type activities as proprietary funds but instead will include in the Town's governmental activities. Comparative statements are not being shown for 2012 but will be available in 2013.

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

	2012
Currents and other assets	
Current assets	\$ 55,819,216
Capital assets	111,609,932
Other non-current assets	2,727,178
Total assets	170,156,326
 Liabilities	
Current liabilities	12,077,489
Non-current liabilities	78,356,073
Total liabilities	90,433,562
 Total deferred inflows of resources	3,012,000
 Net Position	
Net investment in capital assets	99,981,782
Restricted	1,786,319
Unrestricted	(25,057,337)
Total net position	\$ 76,710,764

By far the largest portion of the Town's net position, \$99,981,782, reflects its 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 its 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 assets does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position arose primarily due to long-term liabilities, which include 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.



TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The total net position of the Town as of December 31, 2012 was \$76,710,764, a decrease of \$6,849,115 from the prior year. Of this amount, \$99,981,782 was the net investment in capital assets, while \$1,786,319 was restricted by statute or other specific purpose leaving a \$25,057,337 unrestricted deficit.

Continued recognition of Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) will result in decreases in net position in future years. The unfunded liability for postemployment benefits healthcare costs increased in 2012 by \$9,105,808 bringing the unfunded liability at year-end to \$44,057,042. 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,**

	2012
Revenues	
Program revenues:	
Charges for services	\$ 28,636,604
Operating grants and contributions	8,694,806
Capital grants and contributions	1,635,942
	38,967,352
General revenues:	
Real property taxes	52,556,106
Real property tax items	704,521
Non-property tax items - franchise tax	2,174,931
Mortgage tax	3,865,197
Investment earnings - unrestricted	288,382
Other compensation for loss	394,002
Federal and state aid	671,178
Other	557,121
	61,211,438
Total revenues	100,178,790
Expenses	
General government support	20,539,649
Public safety	10,451,870
Health	1,585,953
Transportation	36,432,038
Economic assistance and opportunity	5,846
Culture and recreation	11,489,247
Home and community services	25,972,973
Interest on debt	550,329
	107,027,905
Total expenses	107,027,905
Change in net position	(6,849,115)
Net position - beginning, as restated	83,559,879
Net position - ending	\$ 76,710,764

The change in net position from all combined activities was a decrease of \$6,849,115.

This chart has not been reclassified for comparability. The largest key element of the changes in governmental activities was the recognition of OPEB costs of \$9,105,808 across various functions.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

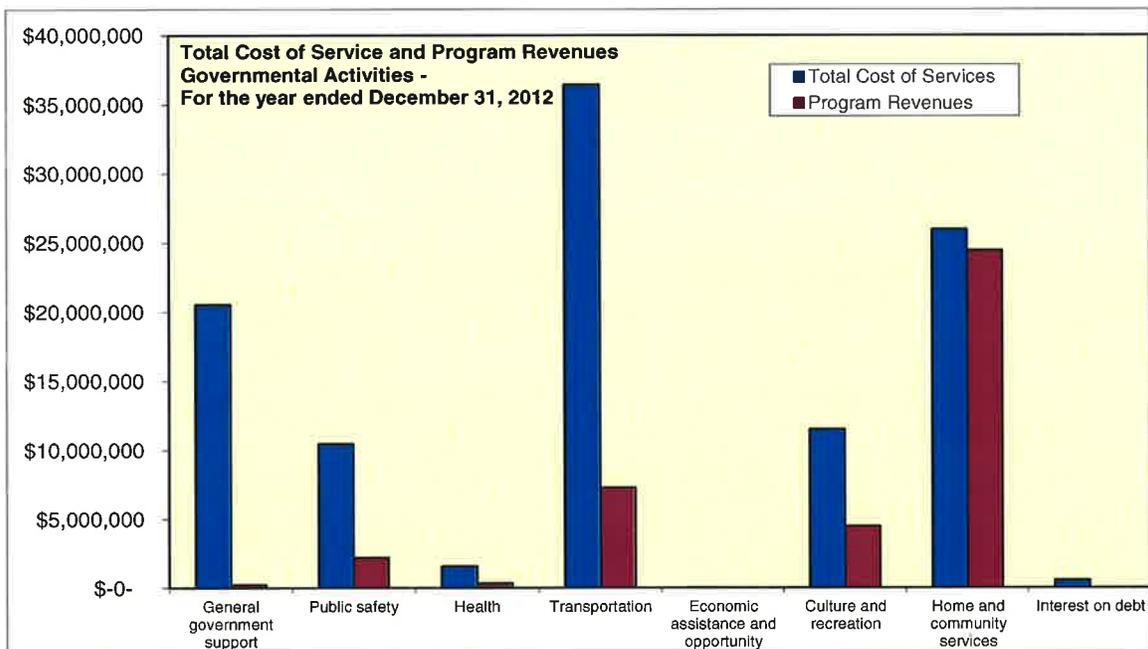
OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following chart illustrates the total expenses by program for the Town's governmental funds. Comparative data will be shown in 2013.

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

	Total Cost of Services 2012	Program Revenues 2012	Net Cost of Services 2012
General government support	\$ 20,539,649	\$ 238,746	\$ 20,300,903
Public safety	10,451,870	2,217,574	8,234,296
Health	1,585,953	338,469	1,247,484
Transportation	36,432,038	7,266,581	29,165,457
Economic assistance and opportunity	5,846		5,846
Culture and recreation	11,489,247	4,462,789	7,026,458
Home and community services	25,972,973	24,443,193	1,529,780
Interest on debt	550,329		550,329
	<u>\$ 107,027,905</u>	<u>\$ 38,967,352</u>	<u>\$ 68,060,553</u>



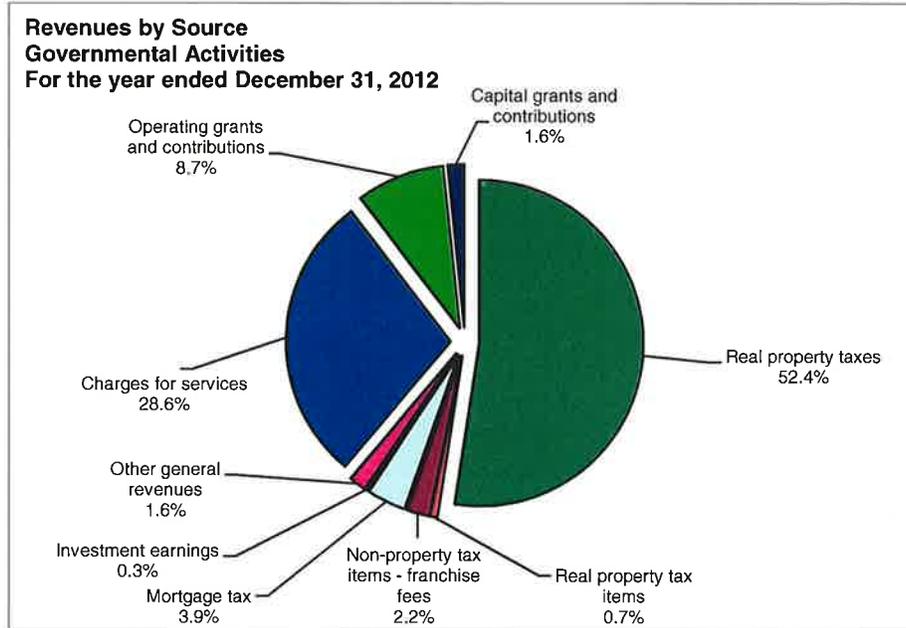
The cost of the governmental activities this year was \$107,027,905. The cost of these services after being partially subsidized by program revenues of \$38,967,352 was \$68,060,553.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

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,

	2012
Real property taxes	\$ 52,556,106
Real property tax items	704,521
Non-property tax items - franchise fees	2,174,931
Mortgage tax	3,865,197
Investment earnings - unrestricted	288,382
Other general revenues	1,622,301
Charges for services	28,636,604
Operating grants and contributions	8,694,806
Capital grants and contributions	1,635,942
	\$ 100,178,790

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, 2012

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

At December 31, 2012, the Town's governmental funds reported total ending fund balances of \$46,988,068, a decrease of \$852,091 before the addition of prior period adjustments of \$2,836,008 and the change in presentation resulting from the inclusion of funds, previously classified as business-type activities and/or fiduciary agency funds, of \$1,920,403. Because of these changes we provide no comparison with the prior year. The category breakdown is as follows;

- **Nonspendable fund balance** - \$3,320,461 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$1,388,452 (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** - \$30,408,756 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$11,870,399 (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 budgeted decrease \$8,492,560 from the appropriation of prior year fund balance to be used for the 2012 budget.

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 \$16,001,476, decreasing \$1,977,168, or 11.0%, from the prior year. Of this amount, \$772,789 is not in spendable form (prepaids) and \$254,738 is restricted for Park and Land deposits. The remaining \$14,973,949 of the fund balance is in spendable form as follows: \$3,000,000 has been assigned by the Town Board for the subsequent year's budget \$103,550 has been assigned for purchase orders by the Town Comptroller, and the remaining \$11,870,399 represents spendable, unassigned fund balance.

The major components of the fund balance decrease of \$1,977,168 were:

- There was a budgeted decrease of \$4,250,000, from prior year fund balance.
- Use of money included wireless rental payments that did not materialize as it was awaiting approval. Interfund revenues included \$840,551 for work amounts recharged to the Highway fund for work performed by the General Fund.
- State Aid Mortgage tax had a shortfall of \$334,802 because of the economy.
- Budgeted Federal Aid included \$233,384 for Hurricane Irene that was for work completed in 2011.
- General government support, public safety and culture and recreation had savings from retirements.
- There were savings in utilities, communications and a mild winter helped the snow overtime lines.
- Home and community services had a decline in leachate costs of \$133,547 and there was a \$227,561 credit applied to the resources recovery plant bills. Employee retirement savings were \$83,467.
- Employees' benefits realized across the board saving in social security and Medicare costs from salary savings.

Highway Fund

At the end of the current year, the total fund balance of the Highway Fund was \$9,022,031, increasing \$1,511,598, or 20.1%. Of this amount, \$1,086,197 is not in spendable form (inventory and prepaids). The remaining \$7,935,834 of the fund balance is in spendable form as follows \$1,500,000 has been assigned by the Town Board for the subsequent year's budget \$221,583 has been assigned for purchase orders by the Town Comptroller and the remaining \$6,214,251 is assigned for highway purposes.

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Highway Fund (continued)

The main reasons for the fund balance increase of \$1,511,598 were:

- There was a budgeted decrease of \$1,115,300, from prior year fund balance.
- FEMA reimbursement of equipment cost for Hurricane Sandy resulted in a \$1,128,437 surplus.
- Transportation had savings in the snow lines and employee benefits due to the mild winter.

Refuse and Garbage Fund

At the end of the current year, the total fund balance of the Refuse and Garbage Fund was \$7,159,870, increasing \$2,873,028, or 67.0%. Of this amount, \$7,159,870 of the fund balance is in spendable form as follows: \$1,773,067 has been assigned by the Town Board for the subsequent year's budget and the remaining \$5,386,803 is assigned for residential refuse and garbage purposes.

The main reason for the fund balance increase of \$2,873,028 were:

- Credits released for the resource recovery plant escrow funds, of \$2,785,256.
- The leaf pick-up program came in under budget by \$583,741 as a residual from Hurricane Sandy.

Capital Projects Fund

At the end of the current year, the Capital Projects Fund had a total fund balance of \$3,644,593 decreasing \$2,028,569 from the prior year. Of this amount, \$1,085,037 was restricted as follows: \$1,065,855 for capital projects and \$19,182 for purchase orders. The remaining \$2,559,556 has been assigned as follows: \$2,309,449 for capital purposes and \$250,107 for purchase orders.

The main reason for the fund balance decrease of \$2,028,569 was:

- The Town did not borrow any funds in 2012 and spent down bonds proceeds from the 2010 and 2011 bond issues.

Nonmajor Governmental Funds

The net change in fund balances was a decrease of \$1,230,980 over the eight nonmajor funds, the most notable as follows:

- The Outside Village had a decrease of \$548,892. It began the year with a budgeted decrease of \$850,000, appropriated from the prior year, for use in 2012. There was an additional supplemental appropriation for \$100,000 for pre-emption equipment. Contingency funds of \$100,000 were not used as well other savings in public safety and planning and community forestry in home and community services.
- The Special Grant Fund had a decrease of \$273,014 from drawdowns on existing grants.
- The Special Revenue Funds had a \$634,247 decrease in fund balance due to increases in expenses related to worker's compensation insurance and litigation settlements.
- The Water Funds had an increase of \$269,673 stemming from an increase in water rates and reduction in costs with one employee retiring.

General Fund Budgetary Highlights

During the year, there was a very minimal \$600,162 or 1.4% 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 final budgets and actual amounts. The following are the main components of the increase in appropriations:

- Adjustments for FEMA Aid of \$311,180 related to Hurricane Sandy.
- Appropriated fund balance of \$100,000 for narrow band radios and \$95,000 for the Town Hall generator

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

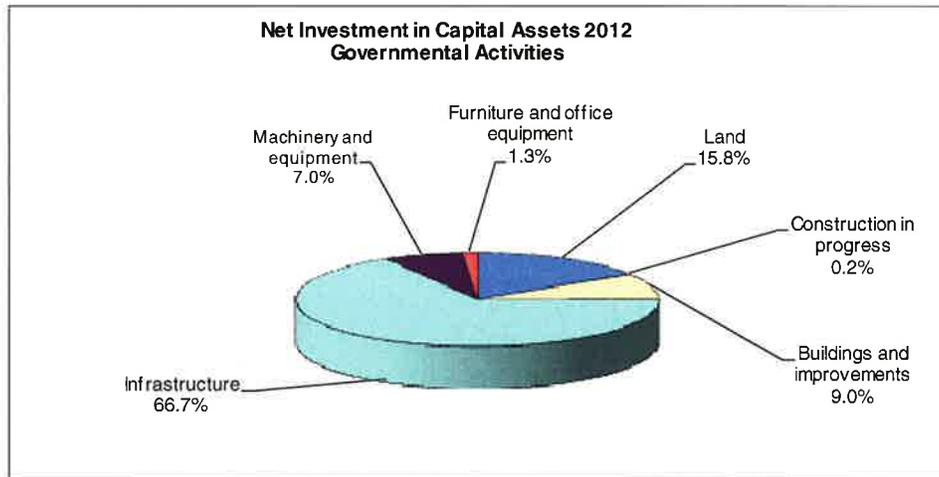
The Town's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$111,609,932 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, furniture and fixtures and construction in progress.

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

- Highway road and sidewalk improvements throughout the Town were completed for \$7,896,780.
- Building Improvements to the Horizons building, purchased in 2010, were \$1,286,781. The building is fully operational as of 2012.
- The Town purchased vehicles and heavy equipment totaling \$1,776,889.

Capital Assets - Net of Accumulated Depreciation

Governmental Activities:	2012
Land	\$ 17,661,763
Construction in progress	173,585
Buildings and improvements	9,997,852
Infrastructure	74,434,831
Machinery and equipment	7,862,294
Furniture and office equipment	1,479,607
Total capital assets	\$ 111,609,932



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

TOWN OF SMITHTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration

Long-Term Debt

At the end of 2012 the Town had total bonded debt outstanding of \$12,340,000. For the year ended December 31, 2012 the Town's debt decreased by \$2,485,000 or 16.8%. The entire debt is backed by the full faith and credit of the Town.

**Outstanding Debt
as of December 31,**

Governmental Activities:

	2012
General obligation bonds	\$ 12,340,000
Total	\$ 12,340,000

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 \$1,354,497,226 which is significantly in excess of the Town's outstanding general obligation debt. The percentage of debt limit exhausted at December 31, 2012 was 0.91%.

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 2013 that allows for inflation and other adjustments to revenues and expenditures. The General Fund budget includes a real property tax increase of approximately 8.98% over 2012.

State Aid and Local Assistance

The Town receives financial assistance from New York State and Suffolk County. The 2013 budget includes mortgage tax of \$4,200,000; per capita of \$660,000 and local government assistance of \$1,884,395. 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.

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 the year beginning January 1, 2012 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.

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BASIC FINANCIAL STATEMENTS

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TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
December 31, 2012

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 40,655,168
Cash - restricted	563,639
Accounts receivable	3,225,554
Due from other governments	8,348,393
Prepays	2,376,845
Inventory of materials and supplies	649,617
Total current assets	55,819,216
Non-current assets:	
Receivables, service concession arrangements	2,637,000
Deferred charges, net of accumulated amortization	90,178
Non-depreciable capital assets	17,835,348
Capital assets, net of accumulated depreciation	93,774,584
Total non-current assets	114,337,110
Total assets	170,156,326
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	7,732,324
Accrued interest payable	52,688
Security deposits	4,080
Unearned revenue/deferred revenue	322,842
Other liabilities	14,902
Non-current liabilities due within one year:	
General obligation bonds payable	2,305,060
Compensated absences payable	838,092
Claims and judgments payable	399,911
Estimated liability for landfill closure and postclosure care costs	407,590
Total current liabilities	12,077,489
Non-current liabilities due in more than one year:	
General obligation bonds payable	10,185,118
Compensated absences payable	7,926,698
Claims and judgments payable	6,243,100
Estimated liability for landfill closure and postclosure care costs	9,944,115
Postemployment benefits healthcare costs	44,057,042
Total non-current liabilities	78,356,073
Total liabilities	90,433,562
DEFERRED INFLOWS OF RESOURCES	
Deferred service concession arrangement receipts	3,012,000
Total Deferred Inflows of Resources	3,012,000
NET POSITION	
Net investment in capital assets	99,981,782
Restricted for:	
Park and Land Deposits	254,738
Capital projects	1,085,037
Home and community services	152,545
Permanent fund:	
Nonexpendable	293,999
Unrestricted	(25,057,337)
Total net position	\$ 76,710,764

TOWN OF SMITHTOWN
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year ended December 31, 2012

<u>Function/ Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government support	\$ 20,539,649	\$ 238,746		
Public safety	10,451,870	2,215,094	\$ 2,480	
Health	1,585,953	338,469		
Transportation	36,432,038	57,147	6,266,055	\$ 943,379
Economic assistance and opportunity	5,846			
Culture and recreation	11,489,247	3,352,391	1,100,646	9,752
Home and community services	25,972,973	22,434,757	1,325,625	682,811
Interest on debt	550,329			
Total governmental activities	<u>\$ 107,027,905</u>	<u>\$ 28,636,604</u>	<u>\$ 8,694,806</u>	<u>\$ 1,635,942</u>

General revenues:

Real property taxes
Real property tax items
Non-property tax items - franchise tax
Mortgage tax
Investment earnings - unrestricted
Sale of property and compensation for loss
State aid - unrestricted
Other

Total General Revenues

Change in net position

Net position - beginning, as reported

Change in Presentation

Prior period adjustments

Net Assets - beginning, as restated

Net position - ending

See notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (20,300,903)		\$ (20,300,903)
(8,234,296)		(8,234,296)
(1,247,484)		(1,247,484)
(29,165,457)		(29,165,457)
(5,846)		(5,846)
(7,026,458)		(7,026,458)
(1,529,780)		(1,529,780)
(550,329)		(550,329)
<u>\$ (68,060,553)</u>		<u>\$ (68,060,553)</u>
\$ 52,556,106		\$ 52,556,106
704,521		704,521
2,174,931		2,174,931
3,865,197		3,865,197
288,382		288,382
394,002		394,002
671,178		671,178
557,121		557,121
<u>61,211,438</u>		<u>61,211,438</u>
<u>(6,849,115)</u>		<u>(6,849,115)</u>
81,760,432	\$ 8,908,990	90,669,422
9,449,031	(8,908,990)	540,041
(7,649,584)		(7,649,584)
<u>83,559,879</u>	<u>-0-</u>	<u>83,559,879</u>
<u>\$ 76,710,764</u>	<u>\$ -0-</u>	<u>\$ 76,710,764</u>

TOWN OF SMITHTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

MAJOR FUNDS

	General	Highway	Refuse and Garbage Funds	Capital Projects
ASSETS				
Cash and investments	\$ 12,525,743	\$ 7,156,312	\$ 8,066,412	\$ 3,290,928
Cash and investments - restricted	254,738			
Accounts receivable	1,610,245	17,428		47,900
Due from other funds	910,819	23,118		
Due from other governments	1,604,151	6,141,440	24,953	510,792
Prepays	772,789	436,580		
Inventory		649,617		
Total assets	<u>\$ 17,678,485</u>	<u>\$ 14,424,495</u>	<u>\$ 8,091,365</u>	<u>\$ 3,849,620</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,668,379	\$ 4,115,047	\$ 881,228	\$ 203,827
Due to other funds		970,325	50,267	
Security deposits	2,880			1,200
Deferred revenue	5,750	317,092		
Other liabilities				
Total liabilities	<u>1,677,009</u>	<u>5,402,464</u>	<u>931,495</u>	<u>205,027</u>
FUND BALANCES				
Nonspendable	772,789	1,086,197		
Restricted	254,738			1,085,037
Assigned	3,103,550	7,935,834	7,159,870	2,559,556
Unassigned	11,870,399			
Total fund balances	<u>16,001,476</u>	<u>9,022,031</u>	<u>7,159,870</u>	<u>3,644,593</u>
Total liabilities and fund balances	<u>\$ 17,678,485</u>	<u>\$ 14,424,495</u>	<u>\$ 8,091,365</u>	<u>\$ 3,849,620</u>

See notes to the financial statements

Other Governmental Funds	Total Governmental Funds
\$ 9,615,773	\$ 40,655,168
308,901	563,639
792,981	2,468,554
106,655	1,040,592
67,057	8,348,393
1,167,476	2,376,845
	649,617
<u>\$ 12,058,843</u>	<u>\$ 56,102,808</u>
\$ 863,843	\$ 7,732,324
20,000	1,040,592
	4,080
	322,842
<u>14,902</u>	<u>14,902</u>
<u>898,745</u>	<u>9,114,740</u>
1,461,475	3,320,461
48,677	1,388,452
9,649,946	30,408,756
	11,870,399
<u>11,160,098</u>	<u>46,988,068</u>
<u>\$ 12,058,843</u>	<u>\$ 56,102,808</u>

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TOWN OF SMITHTOWN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2012

Total fund balances - governmental funds \$ 46,988,068

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	\$ 17,835,348	
Capital assets - depreciable	281,170,075	
Accumulated depreciation	<u>(187,395,491)</u>	111,609,932

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	(12,340,000)	
Compensated absences	(8,764,790)	
Claims and judgments	(6,643,011)	
Estimated liability for landfill closure and postclosure care costs	(10,351,705)	
Other postemployment benefits	<u>(44,057,042)</u>	(82,156,548)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities - bond premiums and deferred charges.

Deferred financing costs included in the Statement of Net Assets		90,178
Premiums on debt issuance included in the Statement of Net Assets		(150,178)

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.

382,000

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore are not reported in the funds.
Deferred inflows, service concession arrangements not reported in the funds.

	3,012,000	
	<u>(3,012,000)</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.

(52,688)

Net position of governmental activities \$ 76,710,764

TOWN OF SMITHTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2012

	MAJOR FUNDS			
	General	Highway	Refuse and Garbage Funds	Capital Projects
REVENUES				
Real property taxes	\$ 19,265,052	\$ 26,515,304		
Real property tax items	352,371	255,085		
Non-property tax items	2,174,931			
Departmental income	9,405,633		\$ 10,327,830	
Intergovernmental charges	341,548	24,947	428,378	\$ 9,752
Use of money and property	217,073	51,838	43,257	14,693
Licenses and permits	125,476	30,000		
Fines and forfeitures	153,477			
Sale of property and compensation for loss	946,563	38,550		47,900
Miscellaneous local sources	70,486			252,664
Interfund revenues	840,551			
State and local aid	5,077,193	892,659	24,953	222,495
Federal aid	392,646	6,179,268		99,499
Total revenues	<u>39,363,000</u>	<u>33,987,651</u>	<u>10,824,418</u>	<u>647,003</u>
EXPENDITURES				
Current:				
General government support	10,451,814			
Public safety	2,749,724			
Health	872,649			
Transportation	884,041	26,698,149		
Economic assistance and opportunity	1,725			
Culture and recreation	5,929,902			
Home and community services	6,148,445		7,951,390	
Employee benefits	11,126,763	5,928,707		
Capital Outlay				3,153,059
Debt Service:				
Principal	2,026,758	138,709		63,626
Interest	414,303	26,257		19,756
Total expenditures	<u>40,606,124</u>	<u>32,791,822</u>	<u>7,951,390</u>	<u>3,236,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,243,124)</u>	<u>1,195,829</u>	<u>2,873,028</u>	<u>(2,589,438)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		497,000		1,086,079
Transfers out	(734,044)	(181,231)		(525,210)
Total other financing sources (uses)	<u>(734,044)</u>	<u>315,769</u>		<u>560,869</u>
Net change in fund balance	<u>(1,977,168)</u>	<u>1,511,598</u>	<u>2,873,028</u>	<u>(2,028,569)</u>
Fund balances at beginning of year, as reported	16,620,842	5,939,999	4,210,418	5,673,162
Change in Presentation	248,086			
Prior period adjustments	<u>1,109,716</u>	<u>1,570,434</u>	<u>76,424</u>	
Fund balances at beginning, as restated	<u>17,978,644</u>	<u>7,510,433</u>	<u>4,286,842</u>	<u>5,673,162</u>
Fund balances at end of year	<u>\$ 16,001,476</u>	<u>\$ 9,022,031</u>	<u>\$ 7,159,870</u>	<u>\$ 3,644,593</u>

See notes to the financial statements

Other Governmental Funds	Total Governmental Funds
\$ 6,775,750	\$ 52,556,106
97,065	704,521
	2,174,931
4,715,978	24,449,441
23,746	828,371
64,306	391,167
1,968,831	2,124,307
	153,477
235,351	1,268,364
534,688	857,838
148,646	989,197
285,000	6,502,300
1,448,054	8,119,467
<u>16,297,415</u>	<u>101,119,487</u>
195,621	10,647,435
3,036,126	5,785,850
1,291,509	2,164,158
1,529,285	29,111,475
	1,725
470,335	6,400,237
6,293,462	20,393,297
4,274,422	21,329,892
	3,153,059
255,907	2,485,000
39,134	499,450
<u>17,385,801</u>	<u>101,971,578</u>
<u>(1,088,386)</u>	<u>(852,091)</u>
	1,583,079
<u>(142,594)</u>	<u>(1,583,079)</u>
<u>(142,594)</u>	<u>-0-</u>
<u>(1,230,980)</u>	<u>(852,091)</u>
10,639,327	43,083,748
1,672,317	1,920,403
79,434	2,836,008
<u>12,391,078</u>	<u>47,840,159</u>
<u>\$ 11,160,098</u>	<u>\$ 46,988,068</u>

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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, 2012

Net change in fund balances - total governmental funds \$ (852,091)

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	\$ 12,375,432	
Depreciation expense	(8,448,525)	
Loss on disposition	<u>(66,907)</u>	
		3,860,000

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:

Prepaid charges		(4,560)
Deferred charges		<u>(30,060)</u>

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

Unearned revenue		53,060
------------------	--	--------

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.

Repayment of debt principal	2,485,000	
Compensated absences	(170,645)	
Claims and judgments	(2,965,349)	
Estimated liability for landfill closure and postclosure care costs	(97,843)	
Other postemployment benefits	(9,105,808)	
Accrued interest payable	<u>(20,819)</u>	
		<u>(9,875,464)</u>

Change in net position of governmental activities		<u>\$ (6,849,115)</u>
---	--	-----------------------

TOWN OF SMITHTOWN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

		Agency Fund
ASSETS		
Cash	\$	141,498,069
Accounts receivable		<u>34</u>
	Total assets	<u><u>\$ 141,498,103</u></u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$	309,770
Other agency liabilities		<u>141,188,333</u>
	Total liabilities	<u><u>\$ 141,498,103</u></u>

TOWN OF SMITHTOWN
INDEX FOR NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 FINANCIALS 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 and component units, if any. All fiduciary activities are reported in the fund financial statements.

For the most part, 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, even though 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIALS 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, liabilities, 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. 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, other than those financed by proprietary funds. 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 – a special revenue fund is 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 shown as a major fund in these financial statements.

Refuse and Garbage Fund – a special revenue is 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIALS 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 Community Development Fund – is used to account for the operations of the Block Grant Program and Section 8 Voucher Program.

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

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

Ambulance District 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 for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Nissequogue 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.

Water Districts Fund is comprised of the following:

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

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

The Town has presented the following fiduciary funds:

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.

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. 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.

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.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. CASH AND INVESTMENTS

The Town's investments are governed by a formal written investment policy. Town 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 not 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.

The Town investments at December 31, 2012 include a certificate of deposit in the amount of \$293,999.

The Town's deposits were fully insured or collateralized as required by the state statutes at December 31, 2012.

2. RESTRICTED ASSETS

Certain assets of the Capital Projects Fund, Special Grants Community Development 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.

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 is used for 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 reflected 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.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

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

5. INVENTORY AND PREPAID ITEMS

Inventory in the Highway Fund is valued at cost and is accounted for under the purchase method, utilizing the first-in, first-out method (FIFO).

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. 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 fixed assets in the fund financial statements, nor has interest on governmental fixed assets and construction in progress been capitalized.

7. UNEARNED REVENUE/DEFERRED REVENUE

Unearned revenue/deferred revenue are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income and amounts deemed to be "measurable" but not "available" to finance current expenses pursuant to generally accepted accounting principles. Accordingly, the amount has been recorded as deferred revenue in the funds statements and unearned revenue in the government-wide statements.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

8. LONG-TERM OBLIGATIONS

In the government-wide financial statements liabilities for long-term obligations consisting of general obligation bonds, compensated absences, due to employees retirement system, judgments and claims, liability for landfill closure and postclosure care costs, pollution remediation, and other postemployment benefits are recognized as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs, that are material, are reported as deferred charges and amortized over the term of the related debt.

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.

Bond issuance costs that are immaterial are charged as an operating expense. Premiums that are immaterial will not be amortized.

9. NET POSITION AND FUND EQUITY CLASSIFICATIONS

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 invested 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.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (continued)

9. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

- 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.

10. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES

1. 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 for 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.

2. 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 community rated.

Post-retirement health care 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 retirees with the same coverage that is provided for active employees. 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 other postemployment benefits payable is recorded as long-term debt in the government-wide statements.

3. 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 for governmental funds. 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 and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as an expense in the funds statement in the respective fund that will pay it.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 general purpose 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 liabilities, and disclosure of contingent assets and liabilities, 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.

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, 2012, the Town adopted:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

I. SUBSEQUENT EVENTS

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

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 the Budget Officer and/or Comptroller, 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.
- e) 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".

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

- f) 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.
- g) 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 transfers are made.
- h) 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.

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 2012.

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					\$ 293,999	\$ 293,999
Inventory		\$ 649,617				649,617
Prepays	\$ 772,789	436,580			1,167,476	2,376,845
Total Nonspendable	<u>772,789</u>	<u>1,086,197</u>			<u>1,461,475</u>	<u>3,320,461</u>
Restricted for:						
Capital projects				\$ 1,065,855		1,065,855
Purchases on order and/or contractual obligations				19,182		19,182
Park and land deposits	254,738					254,738
Other reserves					48,677	48,677
Total Restricted	<u>\$ 254,738</u>			<u>1,085,037</u>	<u>48,677</u>	<u>1,388,452</u>
Assigned to:						
Subsequent year's budget	3,000,000	1,500,000	\$ 1,773,067		2,219,493	8,492,560
Capital projects				2,309,449		2,309,449
Purchases on order and/or contractual obligations	103,550	221,583		250,107	94,014	669,254
Special revenue funds		6,214,251	5,386,803		7,336,439	18,937,493
Total Assigned	<u>3,103,550</u>	<u>7,935,834</u>	<u>\$ 7,159,870</u>	<u>\$ 2,559,556</u>	<u>9,649,946</u>	<u>30,408,756</u>
Unassigned, reported in						
General fund	11,870,399					11,870,399
Total Unassigned	<u>11,870,399</u>					<u>11,870,399</u>
Total Fund Balances	<u>\$ 16,001,476</u>	<u>\$ 9,022,031</u>	<u>\$ 7,159,870</u>	<u>\$ 3,644,593</u>	<u>\$ 11,160,098</u>	<u>\$ 46,988,068</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

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.

Governmental Accounting Standards Board Statement No. 40 directs that deposits 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

At December 31, 2012 the Town's deposits were \$182,711,376. This amount is inclusive of Fiduciary fund deposits of \$141,498,069, restricted cash and investments of \$563,639 but exclusive of petty cash of \$5,500. The bank balance was \$184,069,238. Of the total bank balance, \$4,339,458 was covered by the Federal Depository Insurance Corporation (FDIC) and \$163,028,328 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name and \$16,701,452 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, 2012, the Town of Smithtown did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

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TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2012, 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:

	<u>Receivable</u>	<u>Payable</u>
Governmental Activities:		
<u>Major Funds:</u>		
General Fund	\$ 910,819	
Highway Fund	23,118	\$ 970,325
Refuse and Garbage Fund		50,267
<u>Nonmajor Funds:</u>		
Town Outside Village	45,689	
Special Grants		20,000
Street Lighting Districts	60,966	
Total Governmental Funds	<u>\$ 1,040,592</u>	<u>\$ 1,040,592</u>

At December 31, 2012, individual fund interfund transfers balances for Governmental representing legally authorized transfers, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
<u>Major Funds:</u>		
General Fund		\$ 734,044
Highway Fund	\$ 497,000	181,231
Capital Projects Fund	1,086,079	525,210
<u>Nonmajor Funds:</u>		
Town Outside Village		142,594
Total Governmental Funds	<u>\$ 1,583,079</u>	<u>\$ 1,583,079</u>

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TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance 1/1/2012	Additions	Deletions/ Transfers	Balance 12/31/2012
<u>Governmental Activities:</u>				
Capital assets not being depreciated/amortized				
Land	\$ 17,661,763			\$ 17,661,763
Construction work in progress	87,141	\$ 86,444		173,585
Total capital assets not being depreciated	<u>17,748,904</u>	<u>86,444</u>		<u>17,835,348</u>
Depreciable/amortizable capital assets				
Buildings and improvements	18,582,201	1,399,795		19,981,996
Infrastructure	223,106,557	8,908,156	\$ 5,038,481	226,976,232
Machinery and equipment	29,643,473	1,840,464	408,695	31,075,242
Furniture and office equipment	3,005,773	140,573	9,741	3,136,605
Total depreciable capital assets	<u>274,338,004</u>	<u>12,288,988</u>	<u>5,456,917</u>	<u>281,170,075</u>
Less accumulated depreciation/amortization				
Buildings and improvements	9,556,995	427,149		9,984,144
Infrastructure	151,670,439	5,909,443	5,038,481	152,541,401
Machinery and equipment	21,628,625	1,935,328	351,005	23,212,948
Furniture and office equipment	1,480,917	176,605	524	1,656,998
Total accumulated depreciation	<u>\$ 184,336,976</u>	<u>\$ 8,448,525</u>	<u>\$ 5,390,010</u>	<u>\$ 187,395,491</u>
Total net depreciable capital assets				<u>93,774,584</u>
Total net capital assets				<u>\$ 111,609,932</u>

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

<u>Governmental Activities:</u>	
General government support	\$ 445,855
Public safety	272,979
Health	14,716
Transportation	6,155,876
Economic assistance and opportunity	4121
Culture and recreation	1,023,661
Home and community services	531,317
Total depreciation expense - governmental activities	<u>\$ 8,448,525</u>

The Town of Smithtown 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, 2012, the Town has not recorded any such impairment losses.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

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 and/or Sewer 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. Payments of this short-term debt are made through the debt service fund. At December 31, 2012 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 is in compliance with this requirement.

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, 2012.

The long-term liabilities, which are backed by the full faith and credit of the Town bear interest at various rates from 0.4000% to 7.750% and have maturity dates from 2013 through 2029.

Governmental activities:

	Balance 1/1/2012	Issued	Redeemed	Balance 12/31/2012
<u>Major Funds:</u>				
General	\$ 13,113,993		\$ 2,088,793	\$ 11,025,200
Highway	730,800		140,300	590,500
<u>Nonmajor Funds:</u>				
Outside Village	684,800		144,500	540,300
Country Club	155,407		91,407	64,000
Water	140,000		20,000	120,000
Total government activities	<u>\$ 14,825,000</u>	<u>\$ -0-</u>	<u>\$ 2,485,000</u>	<u>\$ 12,340,000</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

D. INDEBTEDNESS (continued)

Long-term Debt (continued)

General Obligation Bonds (continued)

At December 31, 2012, 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	\$ 120,000	November 1, 2018
General Obligation Serial Bonds-2003A	Public Improvement	3.000%-3.250%	3,500,000	1,200,000	December 15, 2018
General Obligation Serial Bonds-2004A	Public Improvement	3.625%-3.750%	1,650,000	375,000	June 15, 2014
General Obligation Serial Bonds-2005A	Public Improvement	3.500%-3.750%	1,505,000	500,000	December 1, 2015
General Obligation Serial Bonds-2006A	Public Improvement	4.000%-4.250%	2,615,000	850,000	December 15, 2015
General Obligation Serial Bonds-2007A	Public Improvement	4.000%-4.1000%	4,265,000	1,975,000	June 15, 2016
General Obligation Serial Bonds-2010	Public Improvement	2.00 %-3.25%	3,456,000	3,160,000	September 15, 2029
General Obligation Serial Bonds-2010	Refunding Bond	2.00 %-5.00%	3,745,000	2,135,000	June 15, 2016
General Obligation Serial Bonds-2011	Public Improvement	1.000-3.250%	2,275,000	2,025,000	October 15, 2021
			<u>\$ 23,496,000</u>	<u>\$ 12,340,000</u>	

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

Governmental activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	\$ 2,255,000	\$ 419,838	\$ 2,674,838
2014	2,320,000	338,181	2,658,181
2015	2,190,000	253,369	2,443,369
2016	1,730,000	170,081	1,900,081
2017	550,000	115,856	665,856
2018-2022	1,820,000	368,619	2,188,619
2023-2027	1,020,000	168,731	1,188,731
2028-2029	455,000	22,263	477,263
Totals	<u>\$ 12,340,000</u>	<u>\$ 1,856,938</u>	<u>\$ 14,196,938</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 7.000% of a 5-year average full valuation. The current debt limitation for the Town is \$1,354,497,226, which is significantly in excess of the Town's outstanding general obligation debt.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012 are as follows:

Governmental activities:

	Balance 1/1/2012	Prior Period Adjustment	Increases	Reductions	Balance 12/31/2012	Non-current liabilities due within one year
General obligation bonds	\$ 14,825,000			\$ 2,485,000	\$ 12,340,000	\$ 2,255,000
Plus deferred amounts:						
Premiums on issuance	200,238			50,060	150,178	50,060
Total bonds payable	15,025,238			2,535,060	12,490,178	2,305,060
Compensated absences	7,983,414	\$ 610,731	\$ 575,313	404,668	8,764,790	838,092
Claims and judgments	3,677,662		3,369,353	404,004	6,643,011	399,911
Estimated liability for landfill closure and postclosure care costs	10,253,862		508,561	410,718	10,351,705	407,590
Postemployment benefits healthcare costs	34,951,234		12,664,492	3,558,684	44,057,042	
	<u>\$ 71,891,410</u>	<u>\$ 610,731</u>	<u>\$ 17,117,719</u>	<u>\$ 7,313,134</u>	<u>\$ 82,306,726</u>	<u>\$ 3,950,653</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 of Smithtown participates in the New York State and Local Employees' Retirement System (NYSEERS). 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 Systems are 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 generally 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, 2012

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, 2012 are as follows:

Contribution Rates

<u>Tier</u>	<u>Plan/Option</u>	<u>ERS Rate</u>
1	75I	25.2%
2	75I	23.0%
3	A14	18.4%
4	A15	18.4%
5	A15	14.9%
6	A15	9.9%

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100 percent 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 ERS years were:

Annual Required Contribution - ERS

	<u>Amount</u>	<u>Credits & Reconciliation/ Adjustments</u>	<u>Prepayment Discount</u>	<u>Total Payment</u>
2012	\$ 5,604,656	\$ 207,859	\$ (52,309)	\$ 5,760,206
2011	4,594,758	(23,855)	(41,098)	4,529,805
2010	3,381,655	(28,652)	(32,103)	3,320,900

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. Town of Smithtown did not participate in this program and therefore has no outstanding liability at December 31, 2012.

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 retired employees 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.

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 \$1,199 per year for 2012.

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.

	Governmental Activities Primary government
Active employees	450
Retired employees and spouses	290
Total	740

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS (continued)

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, 2012, the Town's annual other postemployment benefits cost (expenses) of \$12,664,492 is not equal to the Annual Required Contribution (ARC), which is \$13,248,425. Considering the annual expense as well as the payment of current health insurance premiums and Medicare reimbursements, which totaled \$3,558,684 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$9,105,808 for the year ended December 31, 2012.

Benefit Obligations and Normal Cost

		Medical Dental and Medicare Primary Government
Actuarial Accrued Liability (AAL)		
Active employees	\$	90,370,846
Retired employees		64,889,048
Total Actuarial Accrued Liability (AAL)		155,259,894
Actuarial value of plan assets		-0-
Unfunded Actuarial Accrued Liability (UAAL)	\$	155,259,894
Funded ratio		0%
Annual covered payroll	\$	35,426,305
UAAL as a percentage of covered payroll		438.3%

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 is \$155,259,894.

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

		Governmental Activities Primary government
Normal cost	\$	4,357,789
Amortization of unfunded actuarial liability (UAAL) over 30 years		8,890,636
Annual required contribution (ARC)		13,248,425
Interest on net OPEB obligation		1,398,049
Adjustment to ARC		(1,981,982)
Annual OPEB Cost		12,664,492
Less: Contribution for year ended December 31, 2012		3,558,684
Increase in other postemployment benefits liability		9,105,808
Other postemployment benefits liability at December 31, 2011		34,951,234
Other postemployment benefits liability at December 31, 2012	\$	44,057,042
Percentage of annual OPEB cost contributed		28.1%

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 is were:

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2012	\$ 12,664,492	\$ 3,558,684	28.1%	\$ 44,057,042
2011	12,959,597	3,619,572	27.9%	34,951,234
2010	12,645,658	2,942,833	23.3%	25,611,209

The primary government's funded status of the plan as of January 1, 2012 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)
1/1/2012	\$ -0-	\$ 155,259,894	\$ 155,259,894	0%	\$ 35,426,305	438.3%

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 -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 year, on a closed basis, using an interest rate equal to the funding rate of 4.00%. The remaining amortization period at December 31, 2012 was 29 years.

A copy of the Town of Smithtown's Retiree Medical Program, 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, 2012

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.

Vested vacation, personal leave and sick leave accumulated by governmental fund type employees have been recorded in the statement of net assets. Payment of vacation, personal leave and sick leave recorded as long term liabilities 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 vacations, personal leave and sick leave when such payments become due. As of December 31, 2012 the value of the accumulated vacation, personal leave and sick leave for governmental activities was \$8,764,790.

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 \$6,643,011. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Towns 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-five (45) locations for blanket building and contents of \$33,429,484 excluding windstorm and hail damage. The policy also excludes new "frame" buildings in the course of construction. Physical damage coverage covers up to \$11,388,685.

General and Auto Liability

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.

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.

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. 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, 2012

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.

Worker's 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. Although the dollar amounts of the claims on file against the Town materially exceed the reserves recorded; the ultimate outcome of the claims cannot be presently determined. 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 reserves for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2012	2011	2012	2011
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 2,500,000	\$ 2,500,000	\$ 1,177,662	\$ 291,179
Insured claims and claim adjustment Expenditures:				
Provision for the insured events of the current year and increases in provision for insured events of prior years	3,139,093	61,727	230,260	1,183,649
Total incurred claims and claim adjustment expenditures	5,639,093	2,561,727	1,407,922	1,474,828
Payments:				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	125,676	61,727	278,328	297,166
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 5,513,417</u>	<u>\$ 2,500,000</u>	<u>\$ 1,129,594</u>	<u>\$ 1,177,662</u>

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

B. TAX CERTIORARIS

At December 31, 2012, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2012. In essence, petitioners complain that their assessed valuations are improper in that they represent overvaluations and unequal treatment. Under the Suffolk County Tax Act, any adjustments to petitioners' assessments for prior years 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 petitioner's 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.

Colvin & Ungerer/Mongeau v. Town of Smithtown

Wrongful death cases in which Robert Ungerer & Ryan Colvin (passenger) drove their car off the boat ramp at the end of Old Dock Road, in Smithtown, into the Nissequoque River. Both men drowned as a result. Settlement of \$560,000 was approved on May 7, 2013.

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 that high as well. MSJ will be heard by the Court on April 29, 2013, and the Court will issue a decision 60-90 days after that.

Mazurek v. Town of Smithtown

Wrongful death case in which Maria Mazurek sustained injuries which resulted in her death as a result of a motor vehicle collision at the intersection of Wyandanch Blvd. and Valleywood Road. Co-defendant, Leonard Levine, was traveling southbound on Wyandanch Blvd., when he crashed into Ms. Mazurek when she entered the intersection while driving on Valleywood Road. The allegations against the Town are that they were negligent in the ownership and operation of roadways and intersection, creating a dangerous condition. Settlement of \$30,000 was approved at the March 21, 2013 Town Board meeting.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LITIGATION (continued)

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 plaintiff's home. The damages are alleged to be in excess of \$300,000.

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 million. Since there is \$3 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 NYS 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 Town is currently unaware of how and when the paving/repaving took place. Co-defendant has filed for a preliminary conference so the case should start to move along. Defense Counsel's strategy continues to be moving the file toward summary judgment based on fact of prior written notice.

Snyder/Egan v. Town of Smithtown

There does not appear to be liability exposure for the Town however it involves the wrongful death of a 4 year old and injuries to the driver and passenger. The intersection was controlled by the County and LIPA has put a telephone pole in front of the stop sign possibly making it less visible. The only potential issue the Town may have is if the driver states that there were bushes covering the stop sign, and it was the Town's responsibility to trim them.

Garcia: The Estate of Angel Romel Garcia:

On August 20, 2012 at approximately 8:10 PM, Angel Romel Garcia sustained personal injuries, resulting in death as a result of a motor vehicle accident. The accident occurred on Railroad Avenue, approximately 400 feet west of 1st Street, Smithtown, NY. Plaintiff alleges that the accident was caused by overgrown shrubbery and defective lighting at this location. There was also a street light that was out in the vicinity of the accident. The Town does not believe there were any prior complaints at this time about the street light.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LITIGATION (continued)

Albertini v. Town of Smithtown

This case involves an accident that occurred on August 9, 2009. The accident involved a crossover collision between vehicles operated by Ira Epstein and Michael Albertini. Mr. Epstein claims that he was caused to cross into the oncoming lane of Old Northport Road due to an accumulation of sand or gravel on the roadway. Michael Albertini was killed as a result of the accident. A passenger in the vehicle he was operating, Alvia Homes, was rendered a quadriplegic. Both of these cases have value well in excess of \$1 million if liability can be established against the Town. In the case involving Ms. Holmes, the case has a potential verdict value of several million dollars. Another passenger in the vehicle was Lauren Albertini who suffered a severe fracture of her femur requiring open reduction and internal fixation. These injury values can be in excess of \$500,000. Jillian Viola, a passenger in Mr. Albertini's car suffered injuries to her head, cheekbone, and right hand. Her injuries in this case could range about \$75,000-\$100,000.

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 \$622,000 per year for 2012. Actual costs for Cells 1-5 and Cell 6 were \$158,547 and \$252,170, respectively, for the year ended December 31, 2012. The remaining post closure costs for Cells 1-5 and Cell 6 approximates \$2,870,000 and \$7,481,705 respectively.

Accordingly as of December 31, 2012, the Town has recorded an estimated liability of \$10,351,705, 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 \$269,289.

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. A portion of such charges offset the debt service payments required on the \$26,000,000 of serial bonds issued by the Town in 1990 for the purpose of expanding the landfill. These bonds were refunded in April 1993 for \$24,990,000 and in April 2003 for \$10,205,000. All of the bonds have been paid off as of 2010. 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 debt and the Town of Huntington is responsible for 62.9% of the debt.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

F. MUNICIPAL COOPERATION AGREEMENTS (continued)

In addition the Town is party to a number of Intermunicipal Agreements with the:

- 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.

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 and as such the payments in 2012 were significantly lower than in previous years. Total resource recovery facility charges were \$3,328,953 for 2012, 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 \$10,000,000, 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

Operating Leases

The Town leases office equipment under non-cancelable leases that commenced between May 2008 and July 2012, and expire between March 2013 and April 2017. Total rental expenditures on such leases for the year ended December 31, 2012, totaled \$44,551. The minimum future non-cancelable operating lease payments are as flows;

Years Ending December 31, 2013	\$	49,552
2014		35,392
2015		15,047
2016		5,636
2017		963
Totals	\$	106,590

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

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, 2012 amount to \$293,999 including \$2,043 in 2012 interest earnings.

K. SERVICE CONCESSION ARRANGEMENT

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 \$647,000 over the life of the agreement 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, 2012, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$647,000.

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 \$584,000 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, 2012, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$2,365,000.

At December 31, 2012 the value of the two Service Concession Arrangements combined are \$3,012,000.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

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

The Town's financial statements are for the year ended December 31, 2012. However, the information contained in this note is based on information for the LOSAP for the plan year ended December 31, 2011, 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 he or she accumulates 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.

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 October 4, 2012.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

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

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2011			\$ 621,706
Assets Available for Benefits			
Trust fund	100%	\$ 703,107	
Total Net Assets Available for Benefits		703,107	
Total Unfunded Benefits/Surplus			(81,401)
Unfunded Liability/Surplus for Prior Service			-0-
Unfunded Normal benefits			(81,401)

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			\$ 687,326
Changes during the year:			
(+ Plan contributions		\$ 68,524	
(+ Investment income earned		25,784	
(+/-) Changes in fair market value of investments		(20,382)	
(-) Plan benefit withdrawals		(51,100)	
(-) Administrative and other fees/charges		(7,045)	
			15,781
Plan Net Assets, end of year			\$ 703,107

Contributions

Amount of sponsor's contribution recommended by the actuary:			\$ 69,687
Amount of sponsor's actual contribution:			\$ 69,687
Town of Smithtown contribution for plans with multiple sponsors			\$ 44,809
Plan funding percent			113%

Administration Fees

Fees paid to designated program administrator			\$ 3,707
Fees paid to trustee			\$ 3,337
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%
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TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

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

Mortality Tables used for:

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

5. PRIOR PERIOD ADJUSTMENTS/CHANGE IN PRESENTATION

The Town began the year with total fund balances of \$43,068,748, as reported, net position of \$81,760,432, as reported, and fiduciary fund assets of \$2,263,381, as reported. The effects of the prior period adjustments and changes in presentation are presented below and detailed in notes to follow.

	<u>Fund Balance</u>	<u>Net Position</u>	<u>Fiduciary Funds</u>
Opening balances	\$ 43,083,748	\$ 81,760,432	\$ 2,623,381
Prior period adjustments			
Opening balances			
Hurricane Irene	1,387,855	1,387,855	
Waste Management Fees	798,536	798,536	
Inventory	649,617	649,617	
Landfill		(10,253,862)	
Compensated Absences		(610,731)	
Unbilled water revenue		379,000	
Total prior period adjustments	<u>2,836,008</u>	<u>(7,649,585)</u>	<u>-0-</u>
Change in presentation			
Water and Country Club, presentation change	1,380,361	8,908,990	
Agency Funds, presentation change	540,042	540,042	(540,042)
Agency Funds, inclusion changes			126,643,094
Total change in presentation	<u>1,920,403</u>	<u>9,449,032</u>	<u>126,103,052</u>
Balances, as restated	<u><u>\$ 47,840,159</u></u>	<u><u>\$ 83,559,879</u></u>	<u><u>\$ 128,726,433</u></u>

Prior Period Adjustment explanations are as follows:

In 2012, the Town increased the opening fund balance, by \$2,836,008, in the fund financial to account for Hurricane Irene Federal and State Aid of \$1,387,855; waste management fees of \$798,536; and inventory of \$649,617.

The Town decreased the opening to net position and deferred landfill closure and postclosure costs to account for the fully depreciated landfill of \$10,253,862, FICA for compensated absences of \$610,731, and unbilled water revenue of \$379,000.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

5. PRIOR PERIOD ADJUSTMENTS/CHANGE IN PRESENTATION (continued)

Change in Presentation explanations are as follows:

As of January 1, 2012 the Town is reporting the Water Districts, comprised of the Smithtown Water District, St. James Water District, Birchcroft Colony Water District, 1987 Water Supply and 1989 Water Supply, and the Paul J. Fitzpatrick Country Club; formerly reported as proprietary funds, as governmental funds. The effect in the fund financial statements is shown on the modified accrual basis of accounting, as a change in presentation in the Water Districts and the Park District nonmajor funds. Upon review of the criteria set forth in GASB Statement No. 34 the Town determined that the Water Districts Funds and Park District did not meet the definition of true enterprise funds and should be presented as special district nonmajor governmental funds.

As of January 1, 2012 the nonexpendable Nissequogue River Improvement Trust Fund is being presented in as a nonmajor permanent fund in the governmental funds and no longer will be shown in the statement of fiduciary net assets. The effect on the governmental fund financial statements and the government-wide financial statements is an increase of \$291,956.

As of January 1, 2012 park and land deposits used for related capital projects deposits is now being presented included in the General Fund governmental fund and no longer will be shown in the statement of fiduciary net assets. The effect on the governmental fund financial statements and the government-wide financial statements is an increase of \$248,086.

As of the 2012 financial report Fiduciary Fund agency assets and liabilities for the Town Clerk and Receiver of Taxes are being included in agency funds. There is no effect on the funds financial statements or the government-wide statements.

6. SUBSEQUENT EVENTS

In August 2013, the Town issued \$6,742,200 of Public Improvement Serial bonds – 2013; at interest rates from 3.000% - 3.250% and maturing in installments from 2014 – 2028, to finance several projects throughout the Town. Such projects include various building improvements, the purchase of new equipment for the Parks, MSF, and Highway Departments, installation energy efficient street lighting, rehabilitation of several traffic signals and road and lighting improvements in the Hauppauge Industrial Park.

In August 2013, the Town closed on a \$402,000, three-year municipal capital lease, at an interest rate of 1.710% and maturing from 2014-2016, to fund the purchase of various Town vehicles, computer equipment, building heating/cooling equipment and security equipment.

In March 2013, the Town and Smithtown Administrators Guild (SAG), the union representing the Town's department heads, entered into a Memorandum of Agreement which was ratified by the union members and adopted by the Town Board at its April 25th meeting. This collective bargaining agreement replaces the agreement which expired in 2010 and runs from January 1, 2011 through December 31, 2014. The contract provides for no increase in 2011, increases of 1.0% in 2012 and 1.5% in 2013 and 2014. Certain specific titles were given additional dollar increases as well as the annual salary for certain titles was renegotiated. Employees newly hired after the adoption of this contract will contribute 15% of the cost of their health insurance premiums. There was a retroactive payment made in 2013.

In August 2013, the Town and the Civil Service Employees Association (CSEA) entered into a Memorandum of Agreement. The agreement has yet to be ratified by union membership. The term of this collective bargaining agreement is January 1, 2013 through December 31, 2015 and replaces the agreement which recently expired in December 2012. The contract provides for increases of 2% in 2013 and 1.5% in 2014 and 2015.

TOWN OF SMITHTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61 *“The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65 *“Items Previously Reported as Assets and Liabilities”*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 66 *“Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62”*. 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 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. 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 Town is currently evaluating the impact, if any, of the above pronouncements.

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

Schedules of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Major Governmental Funds and Schedules

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 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 19,265,052	\$ 19,265,052	\$ 19,265,052	\$ -0-
Real property tax items	372,500	372,500	352,371	(20,129)
Non-property tax items	2,050,000	2,050,000	2,174,931	124,931
Departmental income	9,267,400	9,299,546	9,405,633	106,087
Intergovernmental charges	411,200	413,400	341,548	(71,852)
Use of money and property	377,700	377,700	217,073	(160,627)
Licenses and permits	131,600	131,600	125,476	(6,124)
Fines and forfeitures	178,500	178,500	153,477	(25,023)
Sale of property and compensation for loss	1,001,600	1,005,525	946,563	(58,962)
Miscellaneous revenue	17,000	34,210	70,486	36,276
Interfund revenues			840,551	840,551
State aid	5,759,340	5,852,135	5,077,193	(774,942)
Federal aid	215,000	448,385	392,646	(55,739)
Total revenues	<u>39,046,892</u>	<u>39,428,553</u>	<u>39,363,000</u>	<u>(65,553)</u>
EXPENDITURES				
Current:				
General government support	11,419,964	11,127,690	10,451,814	675,876
Public safety	2,814,929	2,906,744	2,749,724	157,020
Health	953,967	958,798	872,649	86,149
Transportation	894,306	909,178	884,041	25,137
Economic assistance and opportunity	7,500	7,500	1,725	5,775
Culture and recreation	6,553,844	6,641,640	5,929,902	711,738
Home and community services	6,648,872	6,857,930	6,148,445	709,485
Employee benefits	11,019,155	11,235,875	11,126,763	109,112
Debt service:				
Principal	2,088,793	2,088,793	2,026,758	62,035
Interest	428,862	428,862	414,303	14,559
Total expenditures	<u>42,830,192</u>	<u>43,163,010</u>	<u>40,606,124</u>	<u>2,556,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,783,300)</u>	<u>(3,734,457)</u>	<u>(1,243,124)</u>	<u>2,491,333</u>
OTHER FINANCING USES				
Transfers out	(466,700)	(734,044)	(734,044)	-0-
Total other financing uses	<u>(466,700)</u>	<u>(734,044)</u>	<u>(734,044)</u>	<u>-0-</u>
Net change in fund balances	<u>\$ (4,250,000)</u>	<u>\$ (4,468,501)</u>	<u>(1,977,168)</u>	<u>\$ 2,491,333</u>
Fund balances at beginning of year, as reported			16,620,842	
Change in presentation			248,086	
Prior period adjustment			<u>1,109,716</u>	
Fund balances at beginning of year, as restated			17,978,644	
Fund balances at end of year			<u>\$ 16,001,476</u>	

TOWN OF SMITHTOWN
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Real property taxes	\$ 26,515,304	\$ 26,515,304	\$ 26,515,304	\$ -0-
Real property tax items	243,500	243,500	255,085	11,585
Intergovernmental charges	40,000	40,000	24,947	(15,053)
Use of money and property	64,300	64,300	51,838	(12,462)
Licenses and permits	21,500	21,500	30,000	8,500
Sale of property and compensation for loss	1,500	32,980	38,550	5,570
State and local aid	737,000	1,058,997	892,659	(166,338)
Federal aid		4,247,371	6,179,268	1,931,897
Total revenues	<u>27,623,104</u>	<u>32,223,952</u>	<u>33,987,651</u>	<u>1,763,699</u>
EXPENDITURES				
Current:				
Transportation	22,488,322	28,082,570	26,698,149	1,384,421
Employee benefits	5,899,697	5,970,808	5,928,707	42,101
Debt service:				
Principal	140,300	138,709	138,709	-0-
Interest	28,854	26,257	26,257	-0-
Total expenditures	<u>28,557,173</u>	<u>34,218,344</u>	<u>32,791,822</u>	<u>1,426,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(934,069)</u>	<u>(1,994,392)</u>	<u>1,195,829</u>	<u>3,190,221</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		497,000	497,000	-0-
Transfers out	(181,231)	(181,231)	(181,231)	-0-
Total other financing (uses)	<u>(181,231)</u>	<u>315,769</u>	<u>315,769</u>	<u>-0-</u>
Net change in fund balances	<u>\$ (1,115,300)</u>	<u>\$ (1,678,623)</u>	<u>1,511,598</u>	<u>\$ 3,190,221</u>
Fund balances at beginning of year, as reported			5,939,999	
Prior period adjustment			1,570,434	
Fund balances at beginning of year, as restated			<u>7,510,433</u>	
Fund balances at end of year			<u>\$ 9,022,031</u>	

TOWN OF SMITHTOWN
REFUSE AND GARBAGE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Departmental income	\$ 10,311,500	\$ 10,311,500	\$ 10,327,830	\$ 16,330
Intergovernmental charges	425,000	425,000	428,378	3,378
Use of money and property	50,000	50,000	43,257	(6,743)
State and local aid	20,000	20,000	24,953	4,953
Total revenues	<u>10,806,500</u>	<u>10,806,500</u>	<u>10,824,418</u>	<u>17,918</u>
EXPENDITURES				
Current:				
Home and community services	11,433,100	11,433,100	7,951,390	3,481,710
Total expenditures	<u>11,433,100</u>	<u>11,433,100</u>	<u>7,951,390</u>	<u>3,481,710</u>
Net change in fund balances	<u>\$ (626,600)</u>	<u>\$ (626,600)</u>	2,873,028	<u>\$ 3,499,628</u>
Fund balances at beginning of year, as reported			4,210,418	
Prior period adjustment			<u>76,424</u>	
Fund balances at beginning of year, as restated			<u>4,286,842</u>	
Fund balances at end of year			<u>\$ 7,159,870</u>	

TOWN OF SMITHTOWN
POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
SCHEDULE OF FUNDING PROGRESS
December 31, 2012

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)
1/1/2012	\$ -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%
1/1/2010	-0-	143,531,543	143,531,543	0%	34,215,806	419.5%

*Roll-forward

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OTHER SUPPLEMENTARY INFORMATION

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

TOWN OF SMITHTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2012

		Special Revenue Funds			
		Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
ASSETS					
	Cash and investments	\$ 2,612,653	\$ 87,002	\$ 4,907,099	\$ 804,734
	Cash and investments - restricted		14,902		
	Accounts receivable	3,859			
	Due from other funds	45,689			60,966
	Due from other governments	3,723	63,334		
	Prepays	169,588	103,868	832,925	22,618
	Total assets	<u>\$ 2,835,512</u>	<u>\$ 269,106</u>	<u>\$ 5,740,024</u>	<u>\$ 888,318</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
	Accounts payable and accrued liabilities	\$ 271,393	\$ 81,659	\$ 126,889	\$ 132,516
	Due to other funds		20,000		
	Other liabilities		14,902		
	Total liabilities	<u>271,393</u>	<u>116,561</u>	<u>126,889</u>	<u>132,516</u>
FUND BALANCES					
	Nonspendable	169,588	103,868	832,925	22,618
	Restricted		48,677		
	Assigned	2,394,531		4,780,210	733,184
	Total fund balances	<u>2,564,119</u>	<u>152,545</u>	<u>5,613,135</u>	<u>755,802</u>
	Total liabilities and fund balances	<u>\$ 2,835,512</u>	<u>\$ 269,106</u>	<u>\$ 5,740,024</u>	<u>\$ 888,318</u>

Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Permanent Fund Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 142,717	\$ 276,531	\$ 785,037	\$ 293,999	\$ 9,615,773
	4,399	784,723		308,901
	4,998	33,479		792,981
				106,655
				67,057
				1,167,476
<u>\$ 142,717</u>	<u>\$ 285,928</u>	<u>\$ 1,603,239</u>	<u>\$ 293,999</u>	<u>\$ 12,058,843</u>
	\$ 30,093	\$ 221,293		\$ 863,843
				20,000
				14,902
	<u>30,093</u>	<u>221,293</u>		<u>898,745</u>
	4,998	33,479	\$ 293,999	1,461,475
142,717	250,837	1,348,467		48,677
<u>142,717</u>	<u>255,835</u>	<u>1,381,946</u>	<u>293,999</u>	<u>9,649,946</u>
<u>\$ 142,717</u>	<u>\$ 285,928</u>	<u>\$ 1,603,239</u>	<u>\$ 293,999</u>	<u>\$ 12,058,843</u>

TOWN OF SMITHTOWN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended December 31, 2012

	Special Revenue Funds			
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts
REVENUES				
Real property taxes	\$ 3,791,069			\$ 1,675,079
Other real property tax items	37,115			14,801
Departmental income	566,624			
Intergovernmental charges	23,746			
Use of money and property	16,306	\$ 257	\$ 32,515	5,122
Licenses and permits	1,910,846			
Sale of property and compensation for loss	3,599		223,024	
Miscellaneous local sources	2,931	4,176	527,581	
Interfund revenue	87,679			60,967
State and local aid	285,000			
Federal aid	1,009	1,447,045		
Total revenues	<u>6,725,924</u>	<u>1,451,478</u>	<u>783,120</u>	<u>1,755,969</u>
EXPENDITURES				
Current:				
General governmental support	92,258		103,363	
Public safety	3,036,126			
Health				
Transportation				1,529,285
Culture and recreation				
Home and community services	1,730,246	1,683,109		
Employee benefits	2,101,871	41,383	1,314,004	274,676
Debt Service:				
Principal	144,500			
Interest	27,221			
Total expenditures	<u>7,132,222</u>	<u>1,724,492</u>	<u>1,417,367</u>	<u>1,803,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(406,298)</u>	<u>(273,014)</u>	<u>(634,247)</u>	<u>(47,992)</u>
OTHER FINANCING USES				
Operating transfers out	(142,594)			
Total other financing uses	<u>(142,594)</u>			
Net change in fund balance	<u>(548,892)</u>	<u>(273,014)</u>	<u>(634,247)</u>	<u>(47,992)</u>
Fund balances at beginning of year, as reported	3,033,577	425,559	6,247,382	803,794
Change in presentation				
Prior Period Adjustment	79,434			
Fund balances at beginning of year, as restated	<u>3,113,011</u>	<u>425,559</u>	<u>6,247,382</u>	<u>803,794</u>
Fund balances at end of year	<u>\$ 2,564,119</u>	<u>\$ 152,545</u>	<u>\$ 5,613,135</u>	<u>\$ 755,802</u>

			Permanent Fund	
Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequogue River Improvement Permanent Fund	Total Nonmajor Governmental Funds
\$ 1,258,000		\$ 51,602		\$ 6,775,750
45,149				97,065
	\$ 548,436	3,600,918		4,715,978
				23,746
2,062	1,026	4,975	\$ 2,043	64,306
	57,985			1,968,831
		8,728		235,351
				534,688
				148,646
				285,000
				1,448,054
<u>1,305,211</u>	<u>607,447</u>	<u>3,666,223</u>	<u>2,043</u>	<u>16,297,415</u>
				195,621
				3,036,126
1,291,509				1,291,509
				1,529,285
	470,335			470,335
		2,880,107		6,293,462
	55,949	486,539		4,274,422
				255,907
	91,407	20,000		39,134
	2,009	9,904		
<u>1,291,509</u>	<u>619,700</u>	<u>3,396,550</u>		<u>17,385,801</u>
				(142,594)
13,702	(12,253)	269,673	2,043	(1,230,980)
				(142,594)
<u>13,702</u>	<u>(12,253)</u>	<u>269,673</u>	<u>2,043</u>	<u>(1,230,980)</u>
129,015				10,639,327
	268,088	1,112,273	291,956	1,672,317
				79,434
<u>129,015</u>	<u>268,088</u>	<u>1,112,273</u>	<u>291,956</u>	<u>12,391,078</u>
<u>\$ 142,717</u>	<u>\$ 255,835</u>	<u>\$ 1,381,946</u>	<u>\$ 293,999</u>	<u>\$ 11,160,098</u>

TOWN OF SMITHTOWN
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Year ended December 31, 2012

	Balance January 1, 2012	Change in Presentation	Restated Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
ASSETS						
Town Agency						
Cash and investments	\$ 2,331,400	\$ (248,086)	\$ 2,083,314	\$ 521,753,186	\$ 521,758,592	\$ 2,077,908
Investments	291,956	(291,956)	-			-
Accounts receivable	25		25	524	515	34
Total Assets - Town	2,623,381	(540,042)	2,083,339	521,753,710	521,759,107	2,077,942
Town Clerk Agency Fund						
Cash and investments		69,584	69,584	643,015	632,398	80,201
Total Assets - Town Clerk		69,584	69,584	643,015	632,398	80,201
Town Receiver of Taxes Agency Fund						
Cash and investments		126,573,510	126,573,510	468,916,821	456,150,371	139,339,960
Total Assets - Tax Receiver		126,573,510	126,573,510	468,916,821	456,150,371	139,339,960
Total Assets	\$ 2,623,381	\$ 126,103,052	\$ 128,726,433	\$ 991,313,546	\$ 978,541,876	\$ 141,498,103
LIABILITIES						
Town Agency						
Accounts payable and accrued liabilities	294,722		294,722	117,533,992	117,518,944	309,770
Agency Liabilities						-
Escrow deposits	1,152,974		1,152,974	213,872	276,407	1,090,439
Park and land deposits	248,086	(248,086)				-
Water main deposits	40,681		40,681	122,755	85,753	77,683
Subdivision escrow deposits	309,503		309,503	19,952		329,455
Non-spendable trust- Nissequogue River	291,956	(291,956)	-			-
Tax Warrant and IDA taxes	285,459		285,459	403,863,139	403,878,003	270,595
Total Liabilities - Town	2,623,381	(540,042)	2,083,339	521,753,710	521,759,107	2,077,942
Town Clerk Agency Fund						
Total Liabilities - Town Clerk		69,584	69,584	643,015	632,398	80,201
Town Receiver of Taxes Agency Fund						
Due to schools		73,809,581	73,809,581	409,246,549	382,848,900	100,207,230
Other liabilities		52,763,929	52,763,929	59,670,272	73,301,471	39,132,730
Total Liabilities - Tax Receiver		126,573,510	126,573,510	468,916,821	456,150,371	139,339,960
Total Liabilities	\$ 2,623,381	\$ 126,103,052	\$ 128,726,433	\$ 991,313,546	\$ 978,541,876	\$ 141,498,103