

**TOWN OF BABYLON**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York (the "Town"), as of and for the year ended December 31, 2014 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the following blended component units: Babylon Human and Therapeutic Service Institute, Inc., Town of Babylon Senior Citizens Community Services, Inc., and Town of Babylon Youth Development Research Institute, Inc., which in total represent less than 1% of each of the assets and revenues of the governmental activities, and less than 1% of each of the assets and revenues of the governmental funds as of and for the year ended December 31, 2014. Those financial statements were audited by another auditor whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the blended component units mentioned above is based solely on the report of the other auditor.

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 basic financial statements are free of material misstatement. The financial statements of the blended component units in these financial statements were not audited in accordance with *Government Auditing Standards*.

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 and the reports of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, scheduling of funding progress for the retiree medical program 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2015, on our consideration of the Town of Babylon, 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 Babylon, New York's internal control over financial reporting and compliance.

*A. Bruch, Vignano, Zurek & Co., P.C.*

Hauppauge, New York  
July 23, 2015

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Management's Discussion and Analysis**

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2014

As management of the Town of Babylon, New York (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2014.

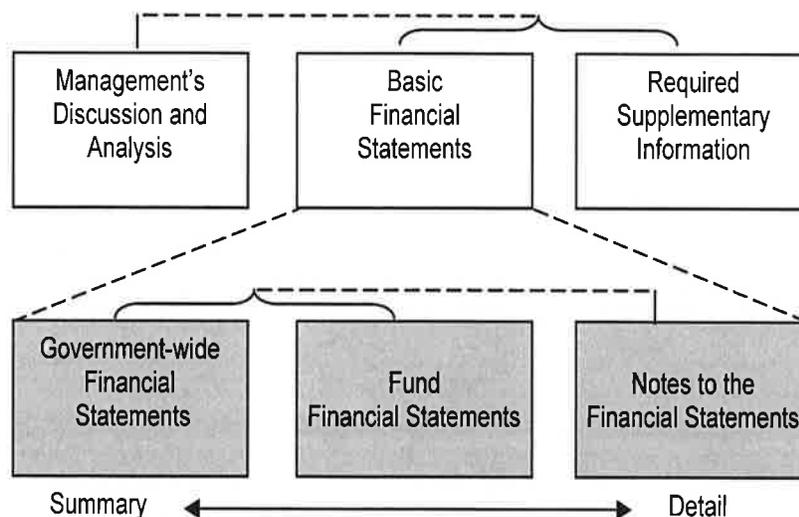
**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of 2014 by \$104,091,329 (net position) of which \$98,296,730 was related to the governmental activities and \$5,794,599 was related to the business-type activities.
- The Town's governmental net position increased by \$6,022,963. The most notable factor which contributed to this was the overall increase in the property taxes assessed by the Town in the amount of \$7,916,523.
- The Town's business-type activities reported a decrease in net position of \$384,312 which was planned since the Town is absorbing and utilizing net position to pay for water rates, which are charged by a third party, that exceed the Town's existing water rates.
- As of the close of 2014, the Town's governmental funds reported combined ending fund balances of \$104,239,234. Of this amount, \$2,412,376 is not in spendable form or is required to remain intact. The remaining \$101,826,858 or approximately 97.69% 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 (see Note 2.B).
- At the end of 2014, the Town's total fund balance for the general fund was \$36,997,871, an increase of \$8,880,537 or 31.58% from the prior year. The unassigned fund balance for the general fund was \$16,364,833.
- The Town's total bonded debt (inclusive of general obligation bonds and bond anticipation notes) was \$170,612,900 for the Town's governmental activities. The business-type activities did not have any debt outstanding at year end. The total bonded debt decreased by 1.13% from the prior year.

**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 three 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 BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The Town's government-wide financial statements includes both the governmental and business-type activities of the Town itself (known as the primary government) and of its legally separate non-major component units for which the Town is financially accountable. Financial information for three of the component units is reported separately (discretely presented non-major) from the financial information presented for the primary government and financial information for the remaining component units has been blended with that of the primary government.

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

*Business-Type Activities* - The Town's business-type activity includes reporting the operations of leasing its water plant to the Suffolk County Water Authority.

*Component Units* - Component units are legally separate organizations for which the Town is either financially accountable, or the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town includes six separate legal entities in its report, an industrial development agency and two local development corporations, which are shown as non-major discretely presented component units in the government-wide financial statements, and three not-for-profits, which are blended with the Town's primary government.

Information on separately issued financial statements is shown in Note 1.A to the financial statements.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS** (continued)

**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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

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

The Town maintains ten (10) individual 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 six (6) major funds. The general fund, residential garbage district fund, commercial garbage district fund, highway fund, capital projects fund and special districts fund are reported as major funds. Data from the four (4) other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general and special revenue funds, except for the following funds: capital projects fund, housing and assistance agency fund and community development agency fund. A budgetary comparison schedule for the general fund, residential garbage district fund, commercial garbage district fund, highway fund and the special districts fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis."

Proprietary Fund

The Town maintains one proprietary type fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund, the East Farmingdale Water District, to account for the operations of leasing its water plant to the Suffolk County Water Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds

All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. 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.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS** (continued)

**Notes to the Financial Statements**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$104,091,329 at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of the Town as a whole.

Condensed Statements of Net Position  
 As of December 31, 2014 and 2013

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
<b>Assets</b>				
Current assets	\$ 188,674,220	\$ 183,505,675	\$ 2,446,872	\$ 2,762,777
Capital assets	248,846,923	248,270,143	6,418,052	6,570,242
Other noncurrent assets	34,198,165	33,329,634		
<b>Total Assets</b>	<b>471,719,308</b>	<b>465,105,452</b>	<b>8,864,924</b>	<b>9,333,019</b>
<b>Deferred outflow of resources</b>	<b>316,267</b>	<b>504,929</b>	<b>-0-</b>	<b>-0-</b>
<b>Liabilities</b>				
Current liabilities	36,182,421	39,997,815	95,907	125,499
Noncurrent liabilities	253,288,816	247,371,670	286,918	266,109
<b>Total Liabilities</b>	<b>289,471,237</b>	<b>287,369,485</b>	<b>382,825</b>	<b>391,608</b>
<b>Deferred inflows of resources</b>	<b>84,267,608</b>	<b>85,967,129</b>	<b>2,687,500</b>	<b>2,762,500</b>
<b>Net Position</b>				
Net investment in capital assets	112,003,262	107,437,667	6,418,052	6,570,242
Restricted	4,934,315	6,954,905		
Unrestricted	(18,640,847)	(22,118,805)	(623,453)	(391,331)
<b>Total Net Position</b>	<b>\$ 98,296,730</b>	<b>\$ 92,273,767</b>	<b>\$ 5,794,599</b>	<b>\$ 6,178,911</b>

Total assets and deferred outflows of resources of the Town's governmental activities, as of December 31, 2014, were \$472,035,575, an increase of \$6,425,194. Total liabilities and deferred inflows of resources as of December 31, 2014 were \$373,738,845, an increase of \$402,231. This results in a total net position balance of \$98,296,730 for 2014, an increase of \$6,022,963. Of the Town's net position balance, \$112,003,262 was the net investment in capital assets, while \$4,934,315 was restricted by statute or other specific purposes leaving a \$18,640,847 unrestricted deficit net position. Total governmental net position was again impacted in the current year and will continue to be impacted in subsequent years due to the ongoing recognition of other postemployment benefits. The unfunded liability for postemployment benefits healthcare costs related to governmental activities increased in 2014 by \$5,335,915 bringing the unfunded liability at year end to \$51,205,423. Additional information on other postemployment benefits can be found in Note 3.H to the financial statements.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

By far the largest portion of the Town's governmental activities net position, \$112,003,262, reflects its investment in capital assets (e.g., land, buildings, machinery and 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 of unrestricted net position does not necessarily indicate fiscal stress. At the end of the current year, the Town is able to report a positive balance in the categories of net investment in capital assets and restricted. The same situation held true for the prior year. The deficit balance in unrestricted arose primarily due to long-term liabilities which include other postemployment benefits, compensated absences, amounts due to employees' retirement systems, claims and judgments and landfill closure and postclosure care costs that will be funded through future budgetary appropriations when they become payable in future periods.

Total assets of the Town's business-type activities, as of December 31, 2014, were \$8,864,924, a decrease of \$468,095. Total liabilities and deferred inflows of resources as of December 31, 2014 were \$3,070,325, a decrease of \$83,783. This results in a total net position balance of \$5,794,599 for 2014, a decrease of \$384,312. Of the business-type activities net position balance, \$6,418,052 was the net investment in capital assets and the remaining \$623,453 is the unrestricted deficit net position.

**Changes in Net Position**

For the years ended December 31, 2014 and 2013

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
<b>Program Revenue</b>				
Charges for services	\$ 61,386,062	\$ 57,258,554	\$ 82,280	\$ 88,815
Operating grants and contributions	15,387,974	18,702,538		
Capital grants and contributions	5,724,141	7,603,980		
Total Program Revenues	82,498,177	83,565,072	82,280	88,815
<b>General Revenues</b>				
Real property taxes	74,071,698	66,155,175		
Other real property tax items	4,259,275	6,023,276		
Non-property tax items	4,005,885	3,788,306		
Interest earnings	661,447	961,491	2,888	7,106
Gain on sale of capital assets	1,156,117	921,225		
Mortgage tax	3,356,147	3,737,520		
State aid	1,115,651	1,115,651		
Other	223,455	219,256	270,345	265,875
Total General Revenues	88,849,675	82,921,900	273,233	272,981
<b>Total Revenues</b>	171,347,852	166,486,972	355,513	361,796

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

**Changes in Net Position** (continued)

For the years ended December 31, 2014 and 2013

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
<b>Program Expenses</b>				
General government support	25,420,609	26,930,185		
Public safety	21,974,625	20,545,454		
Health	5,201,597	4,335,088		
Transportation	24,230,654	24,446,523		
Economic assistance and opportunity	642,463	340,909		
Culture and recreation	18,396,750	17,634,551		
Home and community services	64,136,705	70,570,282	739,825	749,089
Interest on debt	5,321,486	5,078,694		
<b>Total Program Expenses</b>	<b>165,324,889</b>	<b>169,881,686</b>	<b>739,825</b>	<b>749,089</b>
Change in net position	6,022,963	(3,394,714)	(384,312)	(387,293)
Net position, beginning of year	92,273,767	86,306,650	6,178,911	6,566,204
Cumulative effect of change in accounting principle *		9,361,831		
Net position, beginning of year, as restated	92,273,767	95,668,481	6,178,911	6,566,204
Net position, end of year	<b>\$ 98,296,730</b>	<b>\$ 92,273,767</b>	<b>\$ 5,794,599</b>	<b>\$ 6,178,911</b>

\*The Town's financial statements presented herein are for the year ended December 31, 2013 and the cumulative effect of applying Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" is shown as an adjustment to the beginning net position of 2013. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to the beginning net position of 2013.

Net position from all governmental activities, increased by \$6,022,963 in the current year. Key elements of the governmental activities are:

- Overall program revenues decreased by \$1,066,895 from the prior year.
- Charges for services increased from the prior year in the amount of \$4,127,508, a result of higher special assessments for the commercial garbage district fund (\$645,915) and refuse and garbage fees (\$543,614) recognized in the current year. Also, there was an increase in the Long Island Green Homes collections compared to the prior year (\$359,572). In addition, the Town recognized revenues for unclaimed permit deposits that originated over 10 years ago (\$452,640) and insurance recoveries (\$853,282) in the current year.
- Operating grants decreased by \$3,314,564 from the prior year, primarily due to a reduction in the funding, or the timing of projects related to the community development block grant (\$1,148,678), HOME investment partnership grant (\$595,610) and housing assistance program (\$1,061,712). Additionally, the Town recognized emergency disaster aid in 2013 for costs related to Hurricane Sandy and the 2013 blizzard (\$346,708) that did not recur in 2014.
- Capital grants decreased by \$1,879,839 compared to the prior year, primarily related to the timing of certain projects and the related reimbursements. During 2013, a significant amount of the Town's capital projects (and related funding) were associated with the damages caused by Hurricane Sandy. These projects have more activity in 2013 compared to 2014 and therefore there was a decrease in capital grants and contributions for the disaster assistance grant (\$1,609,485). In addition, there was a one time grant to fund the construction of a daycare facility in 2013 (\$850,000).

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

- General revenues increased by \$5,927,775 from the prior year, primarily due to an increase in real property taxes (excluding special assessments) in the amount of \$7,916,523, which was offset by the decrease in other real property tax items of \$1,764,001, a result of the Town phasing out the commercial assessed valuation tax.
- Overall program expenses decreased by \$4,556,797 from the prior year.
- General government support expenses decreased from the prior year by \$1,509,576, a result of an increase in general liability claims which were incurred in the current year (\$1,990,622) which was offset by a reduction of employee benefits and other postemployment benefits (OPEB) allocated to this function.
- There was an overall decrease of \$6,433,577 in home and community services expenses compared to the prior year. In 2013, the Town recognized the loss on the sale of two parcels of land classified as property held for resale (\$2,829,709) which did not recur in the current year. The Town's community development agency and housing assistance funds spent less federal and state funding in the amount of \$2,783,553 and \$1,088,495, respectively, in the current year. These decreases were offset by an increase in the allocation of employee benefits and OPEB costs for the home and community function as well as increased activity with the Long Island Green Homes program.
- Public safety expenses increased by \$1,429,171 compared to prior year, due to an increase in the costs to operate the fire protection districts (\$301,494) as well as an increase in the employee benefits and OPEB costs allocated to this function.
- Health expenses increased by \$866,509, primarily due the Town's management making a determination that certain program costs should be allocated to this function in the current year compared to the prior year (\$405,444) which also resulted in additional employee benefits and OPEB cost allocations to the health function.
- Culture and recreation expenses increased by \$762,199 due to higher depreciation costs (\$887,621) as many culture and recreation capital projects, which were completed in 2013 and 2014, were depreciated upon completion of the project, as well as an increase in employee benefits and OPEB costs allocated to this function.

Net position from the business-type activities decreased by \$384,312 in the current year. Overall, the operating revenues, home and community expenses, and nonoperating revenues are consistent with the prior year activity.

**Net Cost of Services for Governmental Activities**  
 For the years ended December 31, 2014 and 2013

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2014	2013	2014	2013	2014	2013
General government support	\$ 25,420,609	\$ 26,930,185	\$ 3,868,587	\$ 3,533,536	\$ (21,552,022)	\$ (23,396,649)
Public safety	21,974,625	20,545,454	3,101,303	3,137,658	(18,873,322)	(17,407,796)
Health	5,201,597	4,335,088	1,669,576	539,204	(3,532,021)	(3,795,884)
Transportation	24,230,654	24,446,523	3,729,588	3,227,853	(20,501,066)	(21,218,670)
Economic assistance and opportunity	642,463	340,909	42,513	30,898	(599,950)	(310,011)
Culture and recreation	18,396,750	17,634,551	5,694,399	7,901,984	(12,702,351)	(9,732,567)
Home and community services	64,136,705	70,570,282	64,392,211	65,193,939	255,506	(5,376,343)
Interest on debt	5,321,486	5,078,694			(5,321,486)	(5,078,694)
	<u>\$ 165,324,889</u>	<u>\$ 169,881,686</u>	<u>\$ 82,498,177</u>	<u>\$ 83,565,072</u>	<u>\$ (82,826,712)</u>	<u>\$ (86,316,614)</u>

The total cost of all governmental activities this year was \$165,324,889. The net cost of these services after being subsidized by programs revenues of \$82,498,177 was \$82,826,712.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

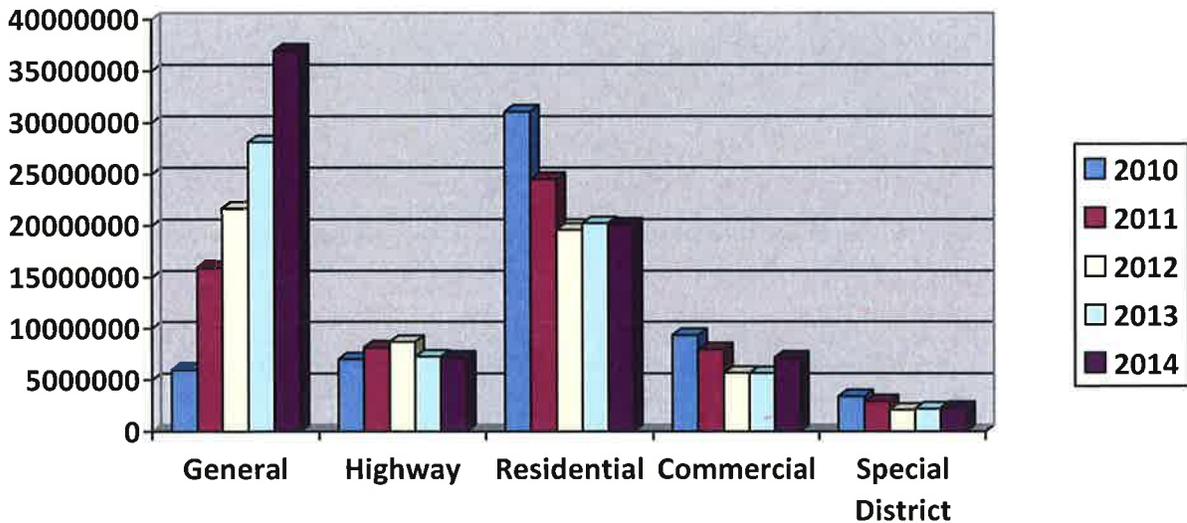
Governmental Funds

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 the Town's net resources available for spending at the end of the year.

At December 31, 2014, the Town's governmental funds reported total ending fund balances of \$104,239,234 an increase of \$13,637,036 in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$2,412,376 (inherently non spendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$48,298,223 (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** - \$37,163,802 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$16,364,833 (residual net resources) is the remaining fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance.

Below is a summary of the Town's major funds' fund balances for 2010 through 2014.



The Town began the year with an anticipated overall \$455,923 decrease resulting from the appropriation of fund balance for the 2014 budget. Total revenues increased from the prior year by \$1,396,082 primarily a result of the increase in property taxes (including special assessments) in the amount of \$8,583,686 which was offset by the decrease in federal aid of \$4,774,318. The increase in property taxes was a result of higher tax rates assessed per parcel in the current year budget. The decrease in federal aid is due to the reduction of Federal funding or the activity relating to the community development block grant (\$1,148,678), HOME investment partnership grant (\$595,610) and housing assistance program (\$1,061,712). Additionally, the Town recognized emergency disaster aid in 2013 for costs related to Hurricane Sandy and the 2013 blizzard that did not recur in 2014. The remaining change is a result of the Town reporting insurance recoveries and the proceeds from the sale of capital assets as other financing sources in 2014 instead of the sale of property and compensation for loss as reported in 2013.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

Governmental Funds (continued)

Overall, governmental expenditures decreased by \$12,302,764, primarily due to the reduction home and community and capital outlay expenditures in the amounts of \$7,750,752 and \$8,758,156, respectively, which was offset by the increase in debt service payments, general government support and health expenditures in the amounts of \$2,717,460, \$1,143,938 and \$1,040,691, respectively.

Other financing sources decreased by \$27,917,112 compared to prior year, primarily a result of the lower amount of general obligation bonds and long-term bond anticipation notes issued in the current year compared to the prior year.

**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 \$36,997,871, increasing \$8,880,537 or 31.58% from the prior year. Of this amount, \$1,497,000 is not in spendable form (property held for resale) and \$19,110,975 is restricted for debt service and for future proceeds from the sale of property held for resale which will be restricted for debt service once received. Of the remaining fund balance of \$16,389,896, \$25,063 has been assigned for purchase orders by the Town Comptroller and \$16,364,833 is shown as unassigned fund balance.

The key elements of the fund balance increase of \$8,880,537 are as follows:

- Overall revenues exceeded the budgeted expectations by \$1,384,620, primarily due to interfund revenues which were over the budget by \$904,653, a result of a more accurate allocation of services provided to other funds, primarily the two garbage district funds as well as franchise fees and other non-property tax items recognized in the current year which exceeded the budget by \$360,885. Actual revenues increased by \$4,738,815, most of which is related to the increase in the general fund's property tax increase in the amount of \$5,196,313 or 17.83% compared to the prior year.
- General government support expenditures were under budget in the amount of \$1,963,988, primarily due to unallocated insurance, judgment and claims expenditures which were \$820,270 under budget, cost savings related to salaries and professional services in the Assessor and Town Attorney departments in the amounts of \$214,892 and \$211,766, respectively, and general implementation of expenditure reductions providing additional savings of \$717,060.
- Employee benefits were under budget by \$316,728 primarily due to lower increases in retirement plan contributions, unemployment insurance and workers' compensation claims than anticipated.
- Overall actual general fund expenditures were consistent with prior year.
- Proceeds from bond anticipation notes in the amount of \$3,390,000 were received.
- Premiums relating to the issuance of bond anticipation notes and general obligation bonds were received in the amount of \$260,278.
- The Town sold various capital assets, including a parcel of land, of which the proceeds exceeded the budgeted amount by \$1,310,650.

**Residential Garbage District Fund**

At the end of the current year, the total fund balance of the residential garbage district fund was \$20,123,891, decreasing \$119,429 or less than 1% from the prior year. Total fund balance is in spendable form as follows: \$11,421 has been restricted for debt service, \$4,015,971 has been assigned by the Town Board for the subsequent year's budget, \$18,999 has been assigned for purchase orders by the Town Comptroller and \$16,077,500 is assigned for residential garbage district purposes.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

Governmental Funds (continued)

**Residential Garbage District Fund** (continued)

The key elements of the fund balance decrease of \$119,429 are as follows:

- Departmental income was under budget by \$1,446,418, a result of the Town receiving less refuse and garbage fee revenues than anticipated.
- Overall actual revenues decreased by \$1,603,533 compared to the prior year, which was a result of the Town phasing out the commercial assessed valuation tax, causing a decrease of \$1,896,130 in collections, which was offset by an increase in the repayments of Long Island Green Homes loans in the amount of \$441,625.
- Garbage improvement area expenditures were under budget by \$1,151,173 primarily due to lower salaries and professional and technical services costs in the amounts of \$425,222 and \$350,789, respectively. Actual garbage improvement area expenditures were less than last year by \$837,921 mostly due to cost savings for residential collections in the amount of approximately \$686,400.

**Commercial Garbage District Fund**

At the end of the current year, the total fund balance of the commercial garbage district fund was \$7,173,765 increasing \$1,524,821 or 26.99% from the prior year. Total fund balance is in spendable form as follows: \$10,413 has been restricted for debt service, \$39,611 has been assigned for purchase orders by the Town Comptroller and \$7,123,741 is assigned for commercial garbage district purposes.

The key elements of the fund balance increase of \$1,524,821 are as follows:

- There was an originally planned increase of \$546,070 a result of the Town budgeting to increase the surplus of the commercial garbage district's fund balance.
- Overall revenues were under budget by \$2,305,360 primarily a result of refuse and garbage fees which did not meet budgeted expectations by \$2,382,079 due to under realized extra service billings. Actual revenues increased by \$1,196,943 due to higher refuse and garbage fees collected in the amount of \$543,614 when compared to the prior year, as well as an increase in the special assessments in the amount of \$645,915.
- Total expenditures were under budget by \$3,261,459 due to a surplus in the garbage improvement area expenditures in the amount of \$3,220,364, resulting from under realized professional fees (\$146,952) and refuse collection and disposal fees (\$2,965,621). Actual expenditures decreased from the prior year in the amount of \$340,719 due to a write off of an uncollectible receivable in the prior year which did not recur in 2014.

**Highway Fund**

At the end of the current year, the total fund balance of the highway fund was \$7,168,325, decreasing \$97,425, or 1.34%, from the prior year. This balance of \$7,168,325 is in spendable form as follows: \$1,955,011 has been restricted for debt service and the remaining \$5,213,314 is assigned for highway purposes.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

Governmental Funds (continued)

**Highway Fund** (continued)

The key elements of the fund balance decrease of \$97,425 are as follows:

- There was an originally planned decrease of \$1,000,000 resulting from the appropriation of fund balance for the 2014 budget.
- Total revenues exceeded budgeted expectations by \$479,617, a result of the Town recognizing revenues for unclaimed permit deposits that were outstanding for more than 10 years. Actual revenues increased from the prior year by \$2,148,452 primarily due to an increase in property tax assessments in the amount of \$1,866,924 as well as the increase in revenues recognized for unclaimed permit deposits in the amount of \$452,640.
- Total expenditures were under budget by \$189,782 primarily due to lower increases in hospital and medical costs than originally anticipated in the amount of \$161,738. Actual expenditures were higher than prior year by \$1,059,678, a result of the increase in debt service payments for general obligation bonds (\$857,024) which were issued in 2013, and the increase in snow removal expenditures due to the significant snow fall in 2014 compared to the prior year (\$477,324), which was offset by a reduction in the required contribution to the NYS retirement system (\$250,256).
- Premiums relating to the issuance of obligations were received in the amount of \$238,576.

**Capital Projects Fund**

The fund balance increased in the capital projects fund by \$1,554,251 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

At the end of the current year, the capital projects fund had a total fund balance of \$24,338,847. Of this amount \$22,665,300 was restricted to specific capital project expenditures. The remaining balance of \$1,673,547 includes an amount of \$1,175,981 which is assigned for capital projects costs and outstanding amounts for purchases orders or contractual obligations in the amount of \$497,566.

**Special Districts Fund**

At the end of the current year, the total fund balance of the special districts fund was \$2,263,529, an increase of \$78,649, or 3.60%, from the prior year. Of this amount, \$912,876 is not in spendable form (prepaid items). Of the remaining balance, \$1,876 has been assigned by the Town Board for the subsequent year's budget and the remaining \$1,348,777 is assigned for special districts fund purposes.

The key elements of the fund balance increase of \$78,649 are as follows:

- There had been an originally planned decrease of \$1,993 resulting from the appropriation of fund balance for the 2013 budget with the goal to minimize tax increases for 2014.
- Total actual revenues were consistent with the budgeted expectations. Actual revenues were higher than the prior year, primarily a result of an increase in real property taxes assessed in the amount of \$418,445 compared to the prior year.
- Total expenditures were under budget by \$89,071, due to lower fire protection district costs than expected. Actual expenditures were higher than prior year in the amount of \$374,580, primarily a result of an increase in the costs of program operations for the fire protection districts.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

Governmental Funds (continued)

**Non-major Governmental Funds**

The net change in fund balances was an increase of \$1,815,632.

- The part-town fund's fund balance was \$556,070 at December 31, 2014, which is an increase of \$1,312,658 from the prior year. Total revenues in the part-town fund of \$7,925,976 increased by \$484,230 from the prior year, a result of an increase in real property taxes assessed in the amount of \$460,227. Actual revenues exceeded budgeted expectations by \$329,514. Overall, total expenditures were \$6,613,318 for 2014, a decrease of \$211,081 from the prior year. The decrease is attributable to a reduction in costs incurred related to the Wyandanch Rising Redevelopment Initiative. Actual expenditures of \$6,613,318 exceeded the final budget by \$632,316.
- The total fund balance of the lighting district fund was \$645,210, an increase of \$231,142 from the prior year. Revenues were consistent with the prior year, with the exception of an increase in property taxes assessed in the amount of \$25,386. Actual revenues were in line with the budgeted expectations. Overall expenditures increased by \$180,016 which is primarily a result of an increase in employee salaries of \$87,855 as well as an increase of \$43,310 in electrical infrastructure fees. Actual expenditures were under budget by \$66,606.
- The total fund balance of the community development agency fund was \$2,168,947, an increase of \$221,412 from the prior year, which is primarily a result of the sale of the Head Start property in the amount of \$290,167.

**Summary of All Governmental Funds Revenues and Expenditures**

The following schedule presents in summary all of the governmental funds revenues and expenditures for the years ended December 31, 2014 and 2013, the amount of the change and percentage change in relation to the prior year.

	2014	2013	\$ Change	% Change
<b>Revenues (in Millions)</b>				
Real property taxes	\$97.9	\$89.3	\$8.6	9.63%
Other real property tax items	4.3	6.0	-1.7	-28.33%
Non-property tax items	4.0	3.8	0.2	5.26%
Department income	31.3	30.2	1.1	3.64%
Use of money and property	2.7	2.9	-0.2	-6.90%
Licenses and permits	0.8	0.3	0.5	166.67%
Fines and forfeitures	1.3	1.5	-0.2	-13.33%
Sale of property and compensation for loss	0.1	2.2	-2.1	-95.45%
Interfund revenue	3.1	3.3	-0.2	-6.06%
Miscellaneous local sources	1.8	0.8	1.0	125.00%
State aid	8.8	9.7	-0.9	-9.28%
Federal aid	16.2	20.9	-4.7	-22.49%
<b>Total Governmental Fund Revenues</b>	<b>\$172.3</b>	<b>\$170.9</b>	<b>\$1.4</b>	<b>0.82%</b>
<b>Expenses (in Millions)</b>				
General government support	\$16.7	\$15.5	\$1.2	7.74%
Public safety	19.1	18.9	0.2	1.06%
Health	4.8	3.7	1.1	29.73%
Transportation	9.4	8.9	0.5	5.62%
Economic assistance and opportunity	0.3	0.3	0.0	0.00%
Culture and recreation	9.8	10.6	-0.8	-7.55%
Home and community services	63.1	70.9	-7.8	-11.00%
Employee benefits	18.8	19.4	-0.6	-3.09%
Capital outlay	14.9	23.6	-8.7	-36.86%
Debt Service:				
Principal	14.7	12.7	2.0	15.75%
Interest	5.7	5.0	0.7	14.00%
Bond issuance costs	0.2	0.3	-0.1	-33.33%
<b>Total Governmental Fund Expenses</b>	<b>\$177.5</b>	<b>\$189.8</b>	<b>-\$12.3</b>	<b>-6.48%</b>

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2014

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the 2014 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year the Town increased the original budget for insurance recoveries and Federal aid by \$828,078 and \$651,193, respectively. The original budget for the Town's expenditures also increased by \$1,456,042, as a result of increases in general government support (\$1,490,010) related to the purchase of land and building and grounds expenditures and transportation expenditures (\$714,887) and a decrease in the employee benefit expenditures (\$1,062,209) for NYS Retirement contributions and health insurance costs. There are no variances between the budgeted and actual amounts 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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2014 amounted to \$248,846,925 and \$6,418,050, respectively. The Town's capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges and the water system infrastructure.

In 2014, the Town of Babylon's major capital expenditures were as follows:

Various highway road improvements	\$ 4,379,520
Road infrastructure improvements	1,496,683
Reconstruction of parks	3,625,304
Geiger Park improvements	1,024,898

Capital Assets at December 31, 2014 and 2013  
 (Net of depreciation)

	Governmental Activities		Business-type Activities	
	2014	2013*	2014	2013
Land	\$ 32,051,697	\$ 31,719,404	\$ 194,964	\$ 194,964
Construction in progress	27,299,354	38,452,166	74,580	74,580
Building and improvements	55,904,915	53,233,246	486,636	501,676
Machinery and equipment	9,070,544	9,439,512	15,308	19,878
Infrastructure	124,520,413	115,425,815	5,646,564	5,779,144
<b>Totals</b>	<b>\$ 248,846,923</b>	<b>\$ 248,270,143</b>	<b>\$ 6,418,052</b>	<b>\$ 6,570,242</b>

\*Certain amounts from prior year were reclassified to conform to the current year presentation. There is no effect on the capital assets reported in 2013.

The Town has a five-year capital improvement plan which allows for the continued improvements to infrastructure, buildings and equipment while remaining consistent with the Town's debt service requirements. Annually, the Town Board reviews, updates, and amends the capital plan.

Additional information on the Town's capital assets can be found in Note 3.C to the financial statements.

**Long-Term Debt**

At the end of the current year, the Town has total long-term bonded debt outstanding of \$151,132,900 and long-term bond anticipation notes outstanding of \$19,480,000. The entire debt is backed by the full faith and credit of the Town. The Town also has \$2,935,000 outstanding in guaranteed assistance contract loans payable. All of the Town's debt is related to governmental activities.

**TOWN OF BABYLON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION** (continued)

**Long-Term Debt** (continued)

Outstanding Debt

	Governmental Activities	
	2014	2013
General obligation bonds payable *	\$ 151,132,900	\$ 147,977,900
Bond anticipation notes	19,480,000	21,090,000
Guaranteed assistance contract loans payable	2,935,000	3,213,000
	\$ 173,547,900	\$ 172,280,900

\* This does not include the bond premium as presented in the Statement of Net Position.

In 2014 the Town's total long-term debt increased by approximately \$1,267,000 or .74% which is a net change in the debt retired and new borrowings.

In June of 2015, Standard and Poor's Corporation reaffirmed the Town's credit rating of AA+ and Moody's Investors Service, Inc. reaffirmed the Town's underlying rating of Aa2.

State statutes limit the amount of general obligation a governmental entity may issue to 7% of a 5-year average full valuation. The current debt limitation for the Town is \$1,505,612,935. The percentage of debt contracting exhausted at December 31, 2014 was 9.2% of the current debt limitation

Additional information on the Town's debt activity can be found in Note 3.F to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Town's elected and appointed officials considered many factors when setting the upcoming 2015 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Town, located in Suffolk County, New York, generally has more favorable financial statistical data than the county or New York State.
- Inflation in the Town's geographic area is consistent with the metropolitan area and is similar though somewhat higher than national averages. Stable contractual increases in negotiated labor contracts are comparable with regional municipalities while providing similar fringe benefits. These factors form the basis for estimating the 2015 budget lines.
- Revenues are subject to regional economic trends and the Town anticipates a decline in mortgage tax revenue and interest earnings on deposited funds. However, the effects of this will be more than offset by the general fund's tax rate increase which will generate \$533,988 additional revenue. As a result, the Town is expecting the general fund's fund balance to remain stable at the close of 2015.
- 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, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however the permitted increase will not be less than 1%. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or local law. The Town did not exceed the 2% tax cap in the 2015 budget.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Comptroller at 200 East Sunrise Highway, Lindenhurst, New York 11757.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF BABYLON**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF NET POSITION**  
December 31, 2014

	Primary Government			Non-major Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 111,721,587	\$ 2,446,872	\$ 114,168,459	\$ 2,858,977
Cash with fiscal agent	3,359,125		3,359,125	
Accounts receivable, net of allowance and noncurrent portion	5,224,429		5,224,429	457,349
Taxes receivable	53,550,131		53,550,131	
Long Island Green Homes receivable, net of noncurrent portion	1,771,830		1,771,830	
Due from other governments	10,104,826		10,104,826	
Prepaid items	2,049,087		2,049,087	13,766
Restricted cash	197,943		197,943	
Property held for resale	695,262		695,262	
Total Current Assets	<u>188,674,220</u>	<u>2,446,872</u>	<u>191,121,092</u>	<u>3,330,092</u>
<b>Noncurrent Assets:</b>				
Accounts receivable, noncurrent portion	8,010,179		8,010,179	
Long Island Green Homes receivable, noncurrent portion	7,855,082		7,855,082	
Property held for resale	18,332,904		18,332,904	
Non-depreciable capital assets	59,351,051	269,544	59,620,595	748,500
Capital assets, net of accumulated depreciation	189,495,872	6,148,508	195,644,380	
Total Noncurrent Assets	<u>283,045,088</u>	<u>6,418,052</u>	<u>289,463,140</u>	<u>748,500</u>
<b>Total Assets</b>	<u>471,719,308</u>	<u>8,864,924</u>	<u>480,584,232</u>	<u>4,078,592</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred charge on refunding	316,267		316,267	
<b>Total Deferred Outflow of Resources</b>	<u>316,267</u>	<u>-0-</u>	<u>316,267</u>	<u>-0-</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	9,459,094	95,907	9,555,001	78,673
Accrued interest payable	1,533,015		1,533,015	
Due to other governments	2,392,669		2,392,669	1,466,859
Unearned revenues	424,392		424,392	
<b>Noncurrent liabilities due within one year:</b>				
Bond anticipation notes payable	655,000		655,000	
Bonds payable	16,108,160		16,108,160	
Guaranteed assistance contract loans payable	294,000		294,000	
Due to employees' retirement system	681,241		681,241	
Compensated absences	3,190,000		3,190,000	
Claims and judgments payable	567,250		567,250	
Estimated liability for landfill closure and postclosure care costs	877,600		877,600	
Total Current Liabilities	<u>36,182,421</u>	<u>95,907</u>	<u>36,278,328</u>	<u>1,545,532</u>
<b>Noncurrent Liabilities:</b>				
Unearned revenues	1,801,646		1,801,646	
Due to other governments	7,659,677		7,659,677	
Bond anticipation notes payable	18,825,000		18,825,000	
Bonds payable	136,645,474		136,645,474	
Guaranteed assistance contract loans payable	2,641,000		2,641,000	
Due to employees' retirement system	1,888,316		1,888,316	
Compensated absences	2,024,938		2,024,938	
Claims and judgments payable	7,694,405		7,694,405	
Estimated liability for landfill closure and postclosure care costs	22,902,937		22,902,937	
Other postemployment benefits payable	51,205,423	286,918	51,492,341	524,671
Total Noncurrent Liabilities	<u>253,288,816</u>	<u>286,918</u>	<u>253,575,734</u>	<u>524,671</u>
<b>Total Liabilities</b>	<u>289,471,237</u>	<u>382,825</u>	<u>289,854,062</u>	<u>2,070,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue - property taxes	84,267,608		84,267,608	
Deferred service concession arrangement receipt		2,687,500	2,687,500	
<b>Total Deferred Inflows of Resources</b>	<u>84,267,608</u>	<u>2,687,500</u>	<u>86,955,108</u>	<u>-0-</u>
<b>NET POSITION</b>				
Net investment in capital assets	112,003,262	6,418,052	118,421,314	748,500
Restricted - Public safety	16,224		16,224	
Health	103,522		103,522	
Economic assistance and opportunity	1,255		1,255	
Culture and recreation	322,615		322,615	
Home and community services	4,085,699		4,085,699	
Debt service	405,000		405,000	
Unrestricted	(18,640,847)	(623,453)	(19,264,300)	1,259,889
<b>Total Net Position</b>	<u>\$ 98,296,730</u>	<u>\$ 5,794,599</u>	<u>\$ 104,091,329</u>	<u>\$ 2,008,389</u>

See notes to the financial statements.

**TOWN OF BABYLON**  
 GOVERNMENT-WIDE FINANCIAL STATEMENT  
 STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2014

Function/ Program	Expenses	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total	Non-major Component Units
<b>PRIMARY GOVERNMENT:</b>									
Governmental Activities:									
General government support	\$ 25,420,609	\$ 3,805,826	\$ 2,761	\$ 60,000	\$ 3,868,587	\$ (21,552,022)		\$ (21,552,022)	
Public safety	21,974,625	3,078,758		22,545	3,101,303	(18,873,322)		(18,873,322)	
Health	5,201,597	687,715	929,861	52,000	1,669,576	(3,532,021)		(3,532,021)	
Transportation	24,230,654	547,674		3,181,914	3,729,588	(20,501,066)		(20,501,066)	
Economic assistance and opportunity	642,463	500	42,013		42,513	(599,950)		(599,950)	
Culture and recreation	18,396,750	3,233,413	393,627	2,067,359	5,694,399	(12,702,351)		(12,702,351)	
Home and community services	64,136,705	50,032,176	14,019,712	340,323	64,392,211	255,506		255,506	
Interest on debt	5,321,486					(5,321,486)		(5,321,486)	
Total Governmental Activities	165,324,889	61,386,062	15,387,974	5,724,141	82,498,177	(82,826,712)	\$ -0-	(82,826,712)	
Business-type Activities:									
Water	739,825	82,280			82,280		(657,545)	(657,545)	
Total Business-type Activities	739,825	82,280	-0-	-0-	82,280	-0-	(657,545)	(657,545)	
Total Primary Government	\$ 166,064,714	\$ 61,468,342	\$ 15,387,974	\$ 5,724,141	\$ 82,580,457	\$ (82,826,712)	\$ (657,545)	\$ (83,484,257)	
<b>NON-MAJOR COMPONENT UNITS:</b>									
Economic assistance and opportunity	\$ 1,032,437	\$ 1,172,562							\$ 140,125
Total Component Units	\$ 1,032,437	\$ 1,172,562							\$ 140,125
<b>GENERAL REVENUES:</b>									
Real property taxes						\$ 74,071,698		\$ 74,071,698	
Other real property tax items						4,259,275		4,259,275	
Non-property tax items						4,005,885		4,005,885	
Interest earnings						661,447	\$ 2,888	664,335	\$ 4,298
Gain on sale of capital assets						1,156,117		1,156,117	
Mortgage tax						3,356,147		3,356,147	
State aid						1,115,651		1,115,651	
Other						223,455	270,345	493,800	152
Total General Revenues						88,849,675	273,233	89,122,908	4,450
Change in Net Position						6,022,963	(384,312)	5,638,651	144,575
<b>Net Position at Beginning of Year</b>						92,273,767	6,178,911	98,452,678	1,863,814
<b>Net Position at End of Year</b>						\$ 98,296,730	\$ 5,794,599	\$ 104,091,329	\$ 2,008,389

**TOWN OF BABYLON**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

MAJOR FUNDS

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Fund	Special Districts Fund	Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 28,759,484	\$ 25,430,082	\$ 8,658,197	\$ 11,291,883	\$ 21,031,533	\$ 8,165,065	\$ 103,336,244	\$ 8,385,343	\$ 111,721,587
Cash with fiscal agent	1,366,492	11,421	10,413	1,955,011			3,343,337	15,788	3,359,125
Accounts receivable	2,043,095	549,704	2,361,123				4,953,922	8,280,686	13,234,608
Taxes receivable	24,130,144			13,823,234		11,329,091	49,282,469	4,267,662	53,550,131
Long Island Green Homes receivable		9,626,912					9,626,912		9,626,912
Due from other funds	156,363			315,314			471,677	721	472,398
Due from other governments	2,106,139	1,118,919	34,867	218,540	6,483,956		9,962,421	142,405	10,104,826
Prepaid items						912,876	912,876	2,500	915,376
Restricted cash								197,943	197,943
Property held for resale	18,332,904						18,332,904	695,262	19,028,166
Total Assets	<u>\$ 76,894,621</u>	<u>\$ 36,737,038</u>	<u>\$ 11,064,600</u>	<u>\$ 27,603,982</u>	<u>\$ 27,515,489</u>	<u>\$ 20,407,032</u>	<u>\$ 200,222,762</u>	<u>\$ 21,988,310</u>	<u>\$ 222,211,072</u>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 1,622,398	\$ 2,092,644	\$ 1,348,067	\$ 456,548	\$ 2,861,328	\$ 181,126	\$ 8,562,111	\$ 561,354	\$ 9,123,465
Due to other funds					315,314		315,314	157,084	472,398
Due to other governments	631,535					1,588,124	2,219,659	7,832,687	10,052,346
Unearned revenue	1,877,575	171,055					2,048,630	200,000	2,248,630
Liabilities payable from restricted cash								197,943	197,943
Total Liabilities	<u>4,131,508</u>	<u>2,263,699</u>	<u>1,348,067</u>	<u>456,548</u>	<u>3,176,642</u>	<u>1,769,250</u>	<u>13,145,714</u>	<u>8,949,068</u>	<u>22,094,782</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unearned revenue- property taxes	34,875,975	4,745,129	2,122,168	19,979,109		16,374,253	78,096,634	6,170,974	84,267,608
Unavailable revenue	889,267	9,604,319	420,600				10,914,186	695,262	11,609,448
Total Deferred Inflow of Resources	<u>35,765,242</u>	<u>14,349,448</u>	<u>2,542,768</u>	<u>19,979,109</u>	<u>-0-</u>	<u>16,374,253</u>	<u>89,010,820</u>	<u>6,866,236</u>	<u>95,877,056</u>
<b>FUND BALANCES</b>									
Nonspendable	1,497,000					912,876	2,409,876	2,500	2,412,376
Restricted	19,110,975	11,421	10,413	1,955,011	22,665,300		43,753,120	4,545,103	48,298,223
Assigned	25,063	20,112,470	7,163,352	5,213,314	1,673,547	1,350,653	35,538,399	1,625,403	37,163,802
Unassigned	16,364,833						16,364,833		16,364,833
Total Fund Balances	<u>36,997,871</u>	<u>20,123,891</u>	<u>7,173,765</u>	<u>7,168,325</u>	<u>24,338,847</u>	<u>2,263,529</u>	<u>98,066,228</u>	<u>6,173,006</u>	<u>104,239,234</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 76,894,621</u>	<u>\$ 36,737,038</u>	<u>\$ 11,064,600</u>	<u>\$ 27,603,982</u>	<u>\$ 27,515,489</u>	<u>\$ 20,407,032</u>	<u>\$ 200,222,762</u>	<u>\$ 21,988,310</u>	<u>\$ 222,211,072</u>

**TOWN OF BABYLON**  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
December 31, 2014

**Total Fund Balance - Governmental Funds** \$ 104,239,234

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	\$ 59,351,051	
Capital assets - depreciable	548,676,283	
Accumulated depreciation	<u>(359,180,411)</u>	
		248,846,923

Prepaid retirement expenses are included in the Statement of Net Position, since the payment made in the current year is through March 31st of the subsequent year. 1,133,711

Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds:

Long Island Green Homes receivable	9,626,912	
Due from other governments	889,266	
Assets held for resale	695,262	
Accounts receivable	<u>420,600</u>	
		11,632,040

Deferred charges related to refundings are included in the Statement of Net Position. 316,267

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:

Bond anticipation note payable	(19,480,000)	
Bonds payable, inclusive of related premiums	(152,753,634)	
Guaranteed assistance contract loans payable	(2,935,000)	
Due to employees' retirement system	(2,569,557)	
Compensated absences	(5,214,938)	
Claims and judgments payable	(8,261,655)	
Estimated liability for landfill closure and postclosure care costs	(23,780,537)	
Other postemployment benefits payable	<u>(51,205,423)</u>	
		(266,200,744)

Interest and retainage payable applicable to the Town's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. However, these liabilities are included in the Statement of Net Position. (1,670,701)

**Net Position of Governmental Activities** \$ 98,296,730

**TOWN OF BABYLON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 Year Ended December 31, 2014

	MAJOR FUNDS						Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Fund	Special Districts Fund			
<b>REVENUES</b>									
Real property taxes	\$ 34,341,987	\$ 17,745,805	\$ 6,095,414	\$ 17,966,914		\$ 15,964,189	\$ 92,114,309	\$ 5,798,608	\$ 97,912,917
Other real property tax items	1,120,115	1,830,415	8,261	572,751		538,004	4,069,546	189,729	4,259,275
Non-property tax items	4,005,885						4,005,885		4,005,885
Departmental income	3,135,927	7,011,281	17,419,718				27,566,926	3,738,188	31,305,114
Use of money and property	2,259,746	349,727	8,082	14,246	\$ 81,797	2,379	2,715,977	6,807	2,722,784
Licenses and permits	230,308			547,674			777,982		777,982
Fines and forfeitures	1,310,497						1,310,497		1,310,497
Sale of property and compensation for loss	6,311		70,100		27,000		103,411		103,411
Interfund revenue	3,104,653						3,104,653		3,104,653
Miscellaneous local sources	698,907	65	102	16,821	5,805		721,700	1,073,972	1,795,672
State aid	4,223,587	17,717		1,351,784	1,893,010		7,486,098	1,360,970	8,847,068
Federal aid	551,050	281,277	5,174	12,531	1,967,389		2,817,421	13,341,194	16,158,615
<b>Total Revenues</b>	<b>54,988,973</b>	<b>27,236,287</b>	<b>23,606,851</b>	<b>20,482,721</b>	<b>3,975,001</b>	<b>16,504,572</b>	<b>146,794,405</b>	<b>25,509,468</b>	<b>172,303,873</b>
<b>EXPENDITURES</b>									
Current:									
General government support	16,322,248						16,322,248	349,874	16,672,122
Public safety	1,524,015						14,961,524	2,609,107	19,094,646
Health	2,513,402						1,464,399	812,059	4,789,860
Transportation				7,629,078			7,629,078	1,829,094	9,458,172
Economic assistance and opportunity	226,431						226,431	34,403	260,834
Culture and recreation	9,782,966						9,782,966	5,064	9,788,030
Home and community services	1,551,624	26,172,266	20,911,416				48,635,306	14,498,872	63,134,178
Employee benefits	11,435,914	413,884	479,033	3,411,758			15,740,589	3,042,766	18,783,355
Capital Outlay					14,891,168		14,891,168		14,891,168
Debt Service:									
Principal	5,895,971	699,654	633,191	7,071,958			14,300,774	392,227	14,693,001
Interest	2,842,555	83,239	75,334	2,643,143			5,644,271	90,038	5,734,309
Bond issuance costs	102,102	5,708	5,708	62,785			176,303	30,332	206,635
<b>Total Expenditures</b>	<b>52,197,228</b>	<b>27,374,751</b>	<b>22,104,682</b>	<b>20,818,722</b>	<b>14,891,168</b>	<b>16,425,923</b>	<b>153,812,474</b>	<b>23,693,836</b>	<b>177,506,310</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,791,745</b>	<b>(138,464)</b>	<b>1,502,169</b>	<b>(336,001)</b>	<b>(10,916,167)</b>	<b>78,649</b>	<b>(7,018,069)</b>	<b>1,815,632</b>	<b>(5,202,437)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Principal amount of bond anticipation note	3,390,000						3,390,000		3,390,000
Principal amount of bond proceeds					12,570,000		12,570,000		12,570,000
Premium on obligations	260,278	19,035	22,652	238,576			540,541		540,541
Operating transfers in	99,582						99,582		99,582
Operating transfers out					(99,582)		(99,582)		(99,582)
Sale of capital assets	1,485,650						1,485,650		1,485,650
Insurance recovery	853,282						853,282		853,282
<b>Total Other Financing Sources (Uses)</b>	<b>6,088,792</b>	<b>19,035</b>	<b>22,652</b>	<b>238,576</b>	<b>12,470,418</b>	<b>-0-</b>	<b>18,839,473</b>	<b>-0-</b>	<b>18,839,473</b>
<b>Net Change in Fund Balances</b>	<b>8,880,537</b>	<b>(119,429)</b>	<b>1,524,821</b>	<b>(97,425)</b>	<b>1,554,251</b>	<b>78,649</b>	<b>11,821,404</b>	<b>1,815,632</b>	<b>13,637,036</b>
<b>Fund Balances at Beginning of Year</b>	<b>28,117,334</b>	<b>20,243,320</b>	<b>5,648,944</b>	<b>7,265,750</b>	<b>22,784,596</b>	<b>2,184,880</b>	<b>86,244,824</b>	<b>4,357,374</b>	<b>90,602,198</b>
<b>Fund Balances at End of Year</b>	<b>\$ 36,997,871</b>	<b>\$ 20,123,891</b>	<b>\$ 7,173,765</b>	<b>\$ 7,168,325</b>	<b>\$ 24,338,847</b>	<b>\$ 2,263,529</b>	<b>\$ 98,066,228</b>	<b>\$ 6,173,006</b>	<b>\$ 104,239,234</b>

**TOWN OF BABYLON**  
**RECONCILIATION OF THE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2014**

**Net Change in Fund Balance** \$ 13,637,036

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	\$ 16,486,367	
Depreciation expense	<u>(15,516,372)</u>	969,995

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations, disposals) is to decrease net position. (393,215)

Prepaid retirement expenses are expensed in the fund statements, but not in the Statement of Activities, since the payment made in the current year is through March 31st of the subsequent year. (150,729)

Some intergovernmental revenues will not be collected for several months after the Town's year end. These are not considered "available" revenues in the governmental funds until received. The change in the amount is reported as a deferred inflow in the fund statements. 410,537

The issuance of long-term debt 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The following amounts are the effect of these differences in the treatment of long-term debt and related items:

Bond anticipation note issued	(3,390,000)	
Repayment of bond anticipation note	260,000	
Bonds issued	(12,570,000)	
Repayment of bond principal	14,155,000	
Premiums received	(376,129)	
Amortization of bond premiums	468,017	
Amortization of deferred charges on refundings	(188,662)	
Repayment of guarantee assistance contract loans	278,000	
Employees' retirement system	767,545	
Compensated absences	(117,974)	
Claims and judgments	(1,824,966)	
Estimated liability for landfill closure and postclosure care costs	(527,360)	
Other postemployment benefits payable	<u>(5,335,915)</u>	(8,402,444)

Bond interest is recorded as an expenditure on the fund statements when it is paid, and on the Statement of Activities when it is incurred. 89,469

Retainage is recorded as an expenditure on the fund statements when the relating capital project is substantially complete, and on the Statement of Activities when it is incurred. (137,686)

**Change in Net Position of Governmental Activities** \$ 6,022,963

**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
December 31, 2014

**ASSETS**

**Current Assets:**

Cash and cash equivalents \$ 2,446,872

**Noncurrent Assets:**

Non-depreciable capital assets 269,544  
Capital assets, net of accumulated depreciation 6,148,508

Total Noncurrent Assets 6,418,052

Total Assets 8,864,924

**LIABILITIES**

**Current Liabilities:**

Accounts payable and accrued liabilities 95,907

Total Current Liabilities 95,907

**Noncurrent Liabilities:**

Other postemployment benefits payable 286,918

Total Liabilities 382,825

**DEFERRED INFLOW OF RESOURCES**

Deferred service concession arrangement receipt 2,687,500

Total Deferred Inflow of Resources 2,687,500

**NET POSITION**

Net investment in capital assets 6,418,052  
Unrestricted (623,453)

Total Net Position \$ 5,794,599

**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
Year Ended December 31, 2014

**OPERATING REVENUES**

Rental income from water plant	\$ 75,000
Charges and fees	7,280
Total Operating Revenues	<u>82,280</u>

**OPERATING EXPENSES - HOME AND COMMUNITY**

Retiree benefits	171,496
Management and administration fees	415,127
Depreciation	152,190
Other	1,012
Total Operating Expenses	<u>739,825</u>
Loss from Operations	<u>(657,545)</u>

**NON-OPERATING REVENUE**

Rental income from cell tower rentals	270,345
Interest income	2,888
Total Non-Operating Revenue	<u>273,233</u>

<b>Change in Net Position</b>	(384,312)
<b>Net Position - Beginning of Year</b>	<u>6,178,911</u>
<b>Net Position - End of Year</b>	<u>\$ 5,794,599</u>

**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
Year Ended December 31, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 1,675
Cash paid to third party management and others	(440,126)
Cash paid on behalf of retirees	(150,687)
	<u>(589,138)</u>
Net Cash Used for Operating Activities	<u>(589,138)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Rental income from cell towers	270,345
Interest income	2,888
	<u>273,233</u>
Net Cash Provided by Investing Activities	<u>273,233</u>

Net decrease in cash and cash equivalents	(315,905)
Cash and cash equivalents at January 1, 2014	<u>2,762,777</u>
Cash and Cash Equivalents at December 31, 2014	<u>\$ 2,446,872</u>

**RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES**

Loss from operations	\$ (657,545)
Adjustments to reconcile loss from operations to net cash used for operating activities:	
Depreciation expense	152,190
Increase (decrease) in:	
Accounts payable and accrued liabilities	(23,987)
Developer and homeowner deposits	(5,605)
Deferred service concession arrangement receipts	(75,000)
Other postemployment benefits payable	20,809
	<u>20,809</u>
Net Cash Used for Operating Activities	<u>\$ (589,138)</u>

**TOWN OF BABYLON**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2014

**ASSETS**

Cash

\$ 31,927,818

Total Assets

\$ 31,927,818

**LIABILITIES**

Due to school districts

\$ 28,701,399

Due to fire districts

1,047,198

Due to other Counties for tuition tax

1,307,068

Agency fund liabilities

872,153

Total Liabilities

\$ 31,927,818

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Babylon (the "Town") which was established in 1872 is governed by Town Law, 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 and four council members who are elected for a term of four years. The Town Board appoints the Town Attorney and the Commissioner of Public Works whose terms are fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and serve for two years and four years, respectively. The Comptroller and Director of Youth Services are appointed by the Supervisor. The Town Board appoints the following five Commissioners: General Services, Human Resources, Parks, Planning and Development and Environmental Control. The Commissioners serve at the discretion of the Town Board.

The Town provides the following principal services either directly or through Town-operated special districts: parks and recreation, highway construction and maintenance, inland waterways and marinas, building inspection and zoning administration, fire protection, street lighting, garbage pick-up and disposal, water services, and administration of certain state and federal grants.

The financial statements of the Town of Babylon 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 standard setting body for establishing governmental accounting and financial reporting principles.

The more 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 of Babylon; (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's reporting entity is based on several criteria including legal standing, dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

*Discretely Presented Component Units:*

The following entities are discretely presented component units of the Town of Babylon:

- a) The Town of Babylon Industrial Development Agency (the "Agency") was created as a New York State public benefit corporation. The Agency was established on April 10, 1973 pursuant to Code Section 907-a of the New York State General Municipal Law. The Agency was created to promote the economic welfare, recreation opportunities and prosperity of the Town of Babylon's residents. The governing body of the Town of Babylon appoints the Agency's Board of Directors which results in interdependency with the Town of Babylon. However the Agency's Board of Directors has complete responsibility for approval and adoption of policies of the Agency and accountability for fiscal matters. Accordingly, the Agency has been determined to be a discretely presented component unit of the Town of Babylon.
- b) The Town of Babylon L.D. Corporation II (the "Corporation"), was created as a New York State not-for-profit public benefit corporation. The Corporation was established on August 18, 1988 pursuant to Section 1411 of the not-for-profit corporation law as defined in section 102(a)(5). The Corporation is a government instrumental tax-exempt corporation that was created to promote the economic welfare, recreation opportunities and prosperity of the inhabitants of the Town of Babylon. The Corporation provides companies with federally tax-exempt and taxable revenue bonds as incentives.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. REPORTING ENTITY** (continued)

*Discretely Presented Component Units* (continued):

- c) Wyandanch Rising, Inc. ("WRI") was created as a New York State not-for-profit public benefit corporation. WRI was established on September 13, 2011 pursuant to Section 1411 of the New York State Not-for-Profit Corporation law as defined in section 102(a)(5). WRI is a government instrumental tax-exempt corporation that was created to promote the economic welfare, recreation opportunities and prosperity of the inhabitants of the Town of Babylon. WRI provides companies with federally tax-exempt and taxable revenue bonds, sales tax exemptions for construction materials and equipment and mortgage recording tax exemptions as incentives.

The governing body of the Town of Babylon appoints the Town of Babylon L.D. Corporation II's and Wyandanch Rising, Inc.'s Board of Directors which results in interdependency with the Town of Babylon. However the both the Corporation's and WRI's Boards of Directors have complete responsibility for approval and adoption of policies and accountability for fiscal matters. Accordingly, the Corporation and WRI have been determined to be discretely presented component units of the Town of Babylon.

All of the Town of Babylon's discretely presented component units are considered non-major.

Complete financial statements of the individual discretely presented component units can be obtained from their respective administrative offices:

1. The Town of Babylon Industrial Development Agency  
47 West Main Street  
Babylon, New York 11702
2. The Town of Babylon L.D. Corporation II  
816 Deer Park Avenue  
North Babylon, NY 11703
3. Wyandanch Rising, Inc.  
816 Deer Park Avenue  
North Babylon, NY 11703

*Blended Component Units:*

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are, in substance, part of the primary government. These component units are blended with the primary government. The blended component units of the Town are reported within the Special Revenue Funds in the Town's basic financial statements.

The following is a list of the Town's blended component units:

- a) The Town of Babylon Youth Development Research Institute, Inc. (the "Institute") is a not-for-profit organization located in North Babylon, New York. The Institute operates various youth programs at the Town's youth centers. The Institute's Board of Directors consists of members of the Town Board. The Town funds certain salary and fringe benefit costs of the Institute as well as acting as a pass through entity for funding received from state and county contracts. The Town provides operating space and equipment for the Institute. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Institute. Accordingly, this Institute is included in the Town's reporting entity.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. REPORTING ENTITY** (continued)

*Blended Component Units* (continued):

- b) The Town of Babylon Human & Therapeutic Services, Inc. ("Human & Therapeutic Services") is a not-for-profit organization located in North Babylon, New York. The purpose of Human & Therapeutic Services is to operate programs which provide humanitarian services for the benefit of the residents of the Town of Babylon, the County of Suffolk, and the State of New York; drug and alcohol abuse prevention; improvement of the quality of life of persons afflicted with physical or mental handicaps; and assistance to senior citizens of the Town. Human & Therapeutic Services' Board of Directors consists of members of the Town Board. The Town provides funds for certain salary and fringe benefit costs to the Human & Therapeutic Services as well as acts as a pass through entity for funding received from state and county contracts. The Town provides operating space and equipment for Human & Therapeutic Services. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Human & Therapeutic Services and accordingly is included in the Town's reporting entity.
- c) The Town of Babylon Senior Citizens Community Services, Inc. ("Senior Citizens Community Services") is a not-for-profit organization located in North Babylon, New York. Senior Citizens Community Services operates various programs benefiting senior citizens of the Town of Babylon. Senior Citizens Community Services' Board of Directors consists of members of the Town Board. The Town acts as a pass through entity for funding received from federal, state and county contracts. The Town acquires equipment and provides operating space and real property for Senior Citizens Community Services. As a result of this fiscal dependency and potential for financial burden the Town is financially accountable for the Senior Citizens Community Services and accordingly is included in the Town's reporting entity.

Complete financial statements of the individual blended component units can be obtained from their respective administrative offices:

- 1. The Town of Babylon Youth Development Research Institute, Inc.  
Town Hall Annex  
281 Phelps Lane  
North Babylon, New York 11703
- 2. The Town of Babylon Human & Therapeutic Services, Inc.  
Town Hall Annex  
281 Phelps Lane  
North Babylon, New York 11703
- 3. The Town of Babylon Senior Citizens Community Services, Inc.  
Town Hall Annex  
281 Phelps Lane  
North Babylon, New York 11703

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Town's basic financial statements included 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 separate columns for the primary governmental activities and business-type activities as well as the non-major discretely presented component units. 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.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Government-wide Financial Statements** (continued)

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, proprietary 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.

**Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and non-major 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 all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by the proprietary fund.

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

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Fund Financial Statements** (continued)

**Governmental Funds** (continued)

The Town reports the following major Special Revenue governmental funds:

Garbage District Funds – which consists of the commercial garbage and residential garbage improvement districts, are used to account for transactions for the operation of refuse collection and disposal.

Highway Fund – is used to account for revenues and expenditures for highway purposes including construction of Town bridges, purchase of highway machinery and equipment, snow removal and control of brush and weeds as well as other miscellaneous highway purposes.

Special Districts Fund – is used to account for operations and maintenance of the Town's fire protection and ambulance districts.

Additionally, the Town reports the following non-major Special Revenue governmental funds:

Part-Town Fund – is used to account for activities, which are required by statute, in the areas of the Town outside of the Incorporated Villages.

Lighting District Fund – is used to account for lighting repairs and construction within the Town.

Housing Assistance Agency Fund – is used to account for the Town's housing assistance programs.

Community Development Agency Fund – is used to account for the Town's community development programs.

Other Special Revenue Fund – is used to account for miscellaneous revenues with restrictions for specific purposes.

**Proprietary Fund** – The proprietary fund is used to account for ongoing activities, which are similar to those often found in the private sector. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) and deferred outflows and inflows are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

The Town reports the following proprietary fund:

East Farmingdale Water District – In accordance with a lease agreement dated October 2010, East Farmingdale Water District (the "District") leases its water plant to Suffolk County Water Authority. See Note 4. H.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Fund Financial Statements** (continued)

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

Agency Funds – are used to account for resources held as an agent for parties outside the government. Agency fund 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 indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transaction or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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, revenue is recorded when services are performed for the residential and commercial garbage district funds. 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, amounts due to employees' retirement system, claims and judgments, landfill closure and postclosure care costs, and other postemployment benefits are recorded when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual are mortgage tax, franchise fees, charges for services, state and federal aid, intergovernmental revenue and operating transfers. Permit fees and other similar revenues are not susceptible to accrual because they are not measurable until received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services. The principal operating revenues consists of charges to others for sales and services and the rental income from leasing the water plant which is the primary activity. Operating expenses include costs of sales and services and leasing the property as well as administrative and depreciation expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**1. CASH AND CASH EQUIVALENTS**

Cash consists of funds deposited in demand accounts, both interest bearing and non-interest bearing, time deposit accounts and petty cash. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

State statutes govern the Town's investment policies. The Town has a written investment policy stating that Town money must be deposited in FDIC-insured commercial banks. The Town is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, and obligations of New York State and its localities and participation in State authorized cooperative investment programs. All demand deposits and time deposit accounts are carried at cost. The Town has no investments at December 31, 2014.

Collateral is required for demand deposits and time deposits accounts at 100% of all deposits not covered by federal deposit insurance. The Town's investment policy defines acceptable forms of collateral as: (1) certain defined eligible securities, including but not limited to obligations of the United States and its agencies, obligations of the State and its municipalities and school districts, (2) certain irrevocable letters of credit issued in favor of the Town, and (3) certain eligible surety bonds issued in favor of the Town.

**2. RECEIVABLES**

Receivables relating to governmental-type activities primarily include amounts due from federal, state, and other local governments; individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements. The receivable balance relating to the business-type activity consists of an amount due from a third party for reimbursement of remediation costs incurred. Collection is not certain as of December 31, 2014 and therefore the balance is reported net of an allowance of \$342,000, which represents the entire balance of the water fund's receivables.

Taxes receivable represent amounts due for Town and County real estate taxes levied on December 1<sup>st</sup> that have not been paid as of year end. Responsibility for the collection of unpaid taxes rests with the County, and accordingly, the Town is assured of 100% collection of real property taxes.

The Long Island Green Homes receivables are loans that have been provided to the Town's residents for specific energy efficiency improvements. These loans bear interest at 3%, are secured by liens on real property and are payable in monthly installments through December of 2024.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**2. RECEIVABLES** (continued)

In the Statement of Net Position, receivables are reported as current or noncurrent based on the expected timing of repayment. The noncurrent accounts receivable consists primarily of federal rehabilitation mortgages receivable and other miscellaneous receivables not expected to be collected in the subsequent year.

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, in the general fund represent amounts charged for services or facilities provided by the general fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as expenditure in that fund.

**b) Operating Transfers**

Other transactions between funds include residual equity transfers to close out completed capital projects as well as transfers to fund certain capital projects.

**3. PREPAIDS**

Certain payments to vendors and other parties reflect costs applicable to future accounting periods and are reported as prepaid expenses in both the government-wide and fund financial statements.

In governmental funds, amounts reported as prepaid expenses 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.

**4. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets purchased or acquired with an original cost of \$2,500 through December 31, 2010 and \$10,000 subsequent to December 31, 2010, and have a useful life of greater than a year or more are reported at historical cost or estimated historical cost. Contributed assets are valued at fair value as of the date of donation to the Town. Costs incurred for repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant or equipment.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	10-50 years

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**4. CAPITAL ASSETS** (continued)

Infrastructure assets consisting of certain improvements and plant structures (excluding buildings), including but not limited to the landfill, roads, curbs, sidewalks, drainage system, street lighting, and the water system 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.

**5. PROPERTY HELD FOR RESALE**

Real property presented in the general fund and community development agency fund is recorded at cost and is adjusted for any costs to maintain the property. Property is acquired from various sources and held for redevelopment and resale to eligible individuals or developers. Management reviews annually for any impairment issues.

**6. UNEARNED REVENUE**

Unearned revenues, reported as liabilities in the fund and government-wide financial statements, are those which asset recognition criteria have been met, but which revenue recognition criteria have not been met for exchange type transactions. Such amounts include collections in advance for leases and fee income relating to 2015.

**7. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for the deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources of approximately \$316,000 for a deferred charge on refunding bonds in the government-wide Statement of Net Position. A deferred charge on a refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for the deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental funds report the following items as deferred inflows on the Balance Sheet: unearned revenues which relate to 2015 real estate taxes of approximately \$84,268,000 and unavailable revenues of approximately \$11,609,000 which primarily consist of mortgage tax revenue, deferrals related to Long Island Green Home loans and Community Development Block Grant loans. Unavailable revenues, which arise only under a modified accrual basis of accounting, are only reported in the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The unearned revenues, relating to the collection of real estate taxes for a future period, are accordingly reported as a deferred inflow in the government-wide Statement of Net Position as well as the governmental funds Balance Sheet.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**7. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES** (continued)

The Town's proprietary fund has reported deferred inflows of resources of approximately \$2,688,000 resulting from lease income received in advance in a service concession arrangement which is being amortized and recognized in revenue over the lease term.

**8. LONG-TERM OBLIGATIONS**

In the government-wide and proprietary fund financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, guaranteed assistance contract loans, amounts due to employees' retirement system, judgments and claims, liability for landfill closure and postclosure care costs, and other postemployment benefits ("OPEB") are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are expensed as incurred.

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.

**9. NET POSITION AND FUND BALANCE CLASSIFICATION**

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

- a) Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Accounts payable in the capital projects fund are capital related debt and are used in the calculation of net investment in capital assets.
- b) Restricted net position – 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.
- c) Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources in the government-wide and proprietary fund financial statements, it is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**9. NET POSITION AND FUND BALANCE CLASSIFICATION** (continued)

- 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), (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund). The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.
- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town's highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.
- 4) Assigned fund balance reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Board and the Town Comptroller have 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 reflects the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

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

**E. REVENUES AND EXPENDITURES/EXPENSES**

**1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES**

Real property taxes are levied annually no later than December 1<sup>st</sup> and are recognized as revenue January 1<sup>st</sup> of the year for which they were levied. The Town has its own Assessor's Office whose responsibilities are independent and distinct from those of the Receiver of Taxes. The Town assessment rolls are used for the levy of property taxes by the Town and the school districts, as well as by the County of Suffolk, New York (the "County") and by special districts based upon a single tax bill.

The Town of Babylon Receiver of Taxes collects all real property taxes for the Town, Suffolk County, Town Special Districts, and School Districts located within the Town of Babylon. Real property taxes are levied annually no later than December 1<sup>st</sup> and are due in two installments without penalty, 50% on January 10<sup>th</sup> and 50% on May 31<sup>st</sup>. Penalties are imposed thereafter at the rate of 1% per month on delinquent taxes until May 31<sup>st</sup>, after which taxes are payable to the County Treasurer. The Town retains the total amount of Town, highway, special district, special lighting district, and the commercial and residential garbage districts' levies from the amount collected, prior to distributing the remaining balance collected to the County.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. REVENUES AND EXPENDITURES/EXPENSES** (continued)

**2. OTHER POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits, the Town provides health insurance coverage, including reimbursement of Medicare Part B premiums, and survivor benefits for retired employees and their dependents. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town as well as meet certain years of service requirements.

Health care benefits are currently provided by the New York State Health Insurance Program NYSHIP (Empire Plan) whose premiums are based on the benefits paid throughout the State during the year.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these other postemployment benefits payable is recorded as long-term debt in both the government-wide and proprietary fund statements. The current year increase in the liability is based upon the most recent actuarial report.

**3. COMPENSATED ABSENCES**

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent 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 a liability in the funds statement in the respective fund that will pay it.

**F. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds, excluding the housing assistance and community development agency 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 basic financial statements, in conformity with accounting principles generally accepted in the United States 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.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**H. NEW ACCOUNTING PRINCIPLES**

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable for the year ended December 31, 2014:

GASB Statement No. 69 "*Governmental Combinations and Disposals of Governmental Operations*," which establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term *government combination includes* a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement had no effect on the Town's financial statements.

GASB Statement No. 70 "*Accounting and Reporting for Nonexchange Financial Guarantees*," was established to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement had no effect on the Town's financial statements.

**I. SUBSEQUENT EVENTS**

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

**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) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1<sup>st</sup>.
- b) On or before September 30<sup>th</sup> (October 30<sup>th</sup> for the Town's Special and Garbage District funds), each department, officer or district submits a detailed budget request to the Comptroller, who then prepares a tentative budget, which is submitted to the Town Clerk. The tentative budget includes proposed expenditures and the proposed means of financing the entire Town's governmental, special revenue, and proprietary funds, with the exception of the blended component units, the capital projects fund, and the housing assistance and community development agency funds, for which legally adopted budgets are not required.
- c) After public hearings are conducted to obtain taxpayer comments and no later than November 20<sup>th</sup>, the Town Board adopts the budget. All modifications of the budget must be approved by the Town Board. However, the Comptroller is authorized to transfer certain budgeted amounts within departments.
- d) Budgets for the general 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 year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The capital projects, housing assistance and community development agency funds are budgeted on a project or grant basis.

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, 2020, 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. The Town exceeded the 2% property tax cap for 2014.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**B. FUND EQUITY**

**1. FUND BALANCE**

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

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Funds	Special District Fund	Other Governmental Funds	Total
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Property held of resale	\$ 1,497,000							\$ 1,497,000
Prepaid items						\$ 912,876	\$ 2,500	915,376
<b>Total Nonspendable</b>	<b>1,497,000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>912,876</b>	<b>2,500</b>	<b>2,412,376</b>
<b>Restricted for:</b>								
Debt service	2,275,071	11,421	10,413	1,955,011			15,788	4,267,704
Property held of resale	16,835,904							16,835,904
Capital projects					22,665,300			22,665,300
Grantors and donors restrictions							3,664,239	3,664,239
Guaranteed assistance contract							865,076	865,076
<b>Total Restricted</b>	<b>19,110,975</b>	<b>11,421</b>	<b>10,413</b>	<b>1,955,011</b>	<b>22,665,300</b>	<b>-0-</b>	<b>4,545,103</b>	<b>48,298,223</b>
<b>Assigned to:</b>								
Subsequent year's budget		4,015,971				1,876		4,017,847
Capital projects					1,175,981			1,175,981
Purchases on order or contractual obligations	25,063	18,999	39,611		497,566		4,215	585,454
Special revenue funds		16,077,500	7,123,741	5,213,314		1,348,777	1,621,188	31,384,520
<b>Total Assigned</b>	<b>25,063</b>	<b>20,112,470</b>	<b>7,163,352</b>	<b>5,213,314</b>	<b>1,673,547</b>	<b>1,350,653</b>	<b>1,625,403</b>	<b>37,163,802</b>
<b>Unassigned, reported in</b>								
General Fund	16,364,833							16,364,833
<b>Total Unassigned</b>	<b>16,364,833</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>16,364,833</b>
<b>Total Fund Balances</b>	<b>\$ 36,997,871</b>	<b>\$ 20,123,891</b>	<b>\$ 7,173,765</b>	<b>\$ 7,168,325</b>	<b>\$ 24,338,847</b>	<b>\$ 2,263,529</b>	<b>\$ 6,173,006</b>	<b>\$ 104,239,234</b>

**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, the Town 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, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2014.

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

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**A. CASH AND CASH EQUIVALENTS (continued)**

At December 31, 2014 the Town's cash book balance was \$149,183,696. This amount is inclusive of Fiduciary fund deposits of \$31,927,818 cash with fiscal agent of \$3,359,125 and restricted cash of \$197,943 but exclusive of petty cash of \$3,814 and blended component unit cash of \$465,835. The Town's available bank balance was \$148,376,726, excluding the blended component units. Of the Town's available bank balance, \$23,724,948 was covered by Federal deposit insurance, and \$124,651,778 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name. The blended component unit's available balance was \$467,907, of which \$368,068 was covered by Federal deposit insurance. The remaining balance of \$99,839 was under collateralized.

At December 31, 2014 the Town's discretely presented component units' bank balances were \$2,855,346. Of this balance, \$551,089 was covered by Federal deposit insurance and \$2,304,257 was covered by collateral held by the discretely presented component unit's agent, a third-party financial institution, in the Town of Babylon Industrial Development Agency's name.

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, 2014, the Town of Babylon did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

Certain resources set aside for the Family Self Sufficiency Program, a Section 8 program accounted for in the Housing Assistance Agency Fund, are shown as restricted cash on the Balance Sheet and Statement of Net Position.

**B. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At December 31, 2014 individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 156,363	
Highway Fund	315,314	
Capital Projects Fund		\$ 315,314
Non-major Funds	721	157,084
Total	\$ 472,398	\$ 472,398

These receivables and payables are the result of several factors, including temporary advances between the funds and unpaid interfund charges for administrative and other costs. The Town expects the interfund receivables and payables will be paid within the next year.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**B. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)**

For the year ended December 31, 2014, individual fund interfund transfers balances for the primary government represent residual equity transfers related to completed and closed capital projects back to the fund servicing the debt.

**C. CAPITAL ASSETS**

Capital assets activity for the governmental activities for the year ended December 31, 2014 is as follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 31,719,404	\$ 699,000	\$ (366,707)	\$ 32,051,697
Construction in progress	38,452,166	3,780,160	(14,932,972)	27,299,354
Total capital assets not being depreciated	70,171,570	4,479,160	(15,299,679)	59,351,051
Depreciable capital assets:				
Building and improvements	88,302,926	5,008,039		93,310,965
Machinery and equipment	32,940,578	1,663,484	(1,241,964)	33,362,098
Infrastructure	401,734,564	20,268,656		422,003,220
Total depreciable capital assets	522,978,068	26,940,179	(1,241,964)	548,676,283
Less: accumulated depreciation				
Buildings and improvements	35,069,680	2,336,370		37,406,050
Machinery and equipment	23,501,066	2,005,944	(1,215,456)	24,291,554
Infrastructure	286,308,749	11,174,058		297,482,807
Total accumulated depreciation	\$ 344,879,495	\$ 15,516,372	\$ (1,215,456)	359,180,411
Total net depreciable capital assets				189,495,872
Total net capital assets				\$ 248,846,923

Depreciation was charged to functions and programs as follows:

General government support	\$ 354,117
Public safety	119,421
Health	109,980
Transportation	11,649,176
Culture and recreation	2,678,067
Home and community services	605,611
Total depreciation expense - governmental activities	\$ 15,516,372

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**C. CAPITAL ASSETS (continued)**

Capital assets activity for the business-type activities for the year ended December 31, 2014 is as follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 194,964			\$ 194,964
Construction in progress	74,580			74,580
Total capital assets not being depreciated	<u>269,544</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>269,544</u>
Depreciable capital assets:				
Building and improvements	1,306,327			1,306,327
Machinery and equipment	351,670			351,670
Infrastructure	6,785,413			6,785,413
Total depreciable capital assets	<u>8,443,410</u>	<u>-0-</u>	<u>-0-</u>	<u>8,443,410</u>
Less: accumulated depreciation				
Buildings and improvements	804,651	15,040		819,691
Machinery and equipment	331,792	4,570		336,362
Infrastructure	1,006,269	132,580		1,138,849
Total accumulated depreciation	<u>\$ 2,142,712</u>	<u>\$ 152,190</u>	<u>\$ -0-</u>	<u>2,294,902</u>
Total net depreciable capital assets				<u>6,148,508</u>
Total net capital assets				<u>\$ 6,418,052</u>

Depreciation expense in the amount of \$152,190 for the business-type activities was charged to the home and community services function.

Capital assets activity for the discretely presented non-major component unit for the year ended December 31, 2014 is as follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
<u>Discretely Presented Non-major Component Unit- Wyandanch Rising, Inc.:</u>				
Capital assets not being depreciated:				
Land	\$ 748,500			\$ 748,500
Total capital assets not being depreciated	<u>\$ 748,500</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>748,500</u>
Total net capital assets				<u>\$ 748,500</u>

Depreciation for the Town is recorded on the straight-line basis over the estimated useful lives, in years, of the respective assets.

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. During the year ended December 31, 2014, the Town has not recorded any such impairment loss.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**D. PROPERTY HELD FOR RESALE**

The Town is currently undergoing a major community revitalization program in the northern central part of the Town. Since 2008, the Town has been purchasing commercial properties with available surplus funds of the general and residential garbage funds, of which a majority will be repaid with the issuance of authorized general obligation bonds. The Town is completing the pre-development work for the project which includes rezoning, securing necessary permits and community approvals, demolishing existing structures and grading the projects and then intends to sell the property to a private developer and complete the program by the end of 2016.

As of December 31, 2014, the Town invested \$28,722,921 for the cost of these properties, which includes the purchase price of the properties held for resale, the cost of the surrounding areas that will be used by the Town for roads and parks, the properties sold to an outside developer, and the costs of maintaining the properties. The Town has issued \$16,950,000 of general obligations bonds and \$12,630,000 of bond anticipation notes for the revitalization program. The Town accounts for this program in the general fund and property held for resale is considered a noncurrent asset in the Statement of Net Position. The general fund's fund balance related to this program is classified as either nonspendable or restricted.

In October 2011, the Town entered into a Master Developer Designation Agreement ("Master Agreement") with Wyandanch Rising Inc., a discretely presented non-major component unit of the Town and a third party developer. Per the guidelines defined in this Agreement, during 2013 the Town transferred title of two parcels of land classified as property held for resale to Wyandanch Rising Inc. The third party developer paid the Town \$748,500 for the two parcels on behalf of WRI. At the time of the title transfer of land, WRI entered into a Development Lease Agreement ("Lease agreement") with the third party developer in which the third party acting as the lessee, subleased the land to the Babylon IDA, who in turn subleased the property back to the third party developer for a \$1 per annum. The purpose of the lease leaseback transaction is to provide future financial benefits to the third party developer such as certain sales tax and mortgage recording tax exemptions and real estate tax abatements as this community revitalization program progresses.

As of December 31, 2014, the Town's community development agency fund owned five properties purchased with grant proceeds in the amount of \$695,262, for the purpose of resale to individuals in accordance with the Neighborhood Stabilization Program, under the Housing and Economic Recovery Act. The Town intends to sell these properties in 2015; therefore the property held for resale is classified as a current asset in the Statement of Net Position.

**E. SHORT-TERM DEBT**

The schedule below details the changes in short-term debt during the year ended December 31, 2014 for the governmental activities:

	Balance 1/1/14	Issued/ Additions	Maturities/ Reductions	Other Net Decrease*	Balance 12/31/14
<u>Governmental activities:</u>					
Bond anticipation notes	\$ 3,500,000	\$ 3,390,000	\$ 3,500,000	\$ (3,390,000)	\$ -0-
	<u>\$ 3,500,000</u>	<u>\$ 3,390,000</u>	<u>\$ 3,500,000</u>	<u>\$ (3,390,000)</u>	<u>\$ -0-</u>

\*The short term debt was refinanced by another bond anticipation note subsequent to year end (see Note 5) and therefore is considered long-term debt at December 31, 2014.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**E. SHORT-TERM DEBT** (continued)

**Bond Anticipation Notes (BANs)**

Bond anticipation notes (BANs) are generally used as a temporary means of financing various expenditures in the funds. 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 are expected to be paid from the proceeds of future bond issues or renewal of the notes.

In August 2014, the Town issued 2014 bond anticipation notes in the amount of \$19,480,000 with interest rates ranging from 1.00% to 2.00%. These notes were partially used to refinance a portion of the 2013 bond anticipation notes in the amount of \$16,090,000, which were reported as a long-term bond anticipation notes in the prior year, and the remaining proceeds in the amount of \$3,390,000 were issued for the Town to acquire property as part of a community revitalization project as well as Town owned land. In July of 2015, the Town refinanced a portion of the BAN with another BAN and therefore \$3,390,000 was reported as an other financing source in the fund financial statements. During 2014, the Town repaid the outstanding BANs in the amount of \$3,500,000 primarily with the grant proceeds received for capital costs related to Hurricane Sandy which were originally financed with this BAN.

**F. LONG-TERM DEBT**

**Guaranteed Assistance Contract Loans**

The Town's guaranteed assistance contract loans payable consists of two loans due to the U.S. Department of Housing and Urban Development issued under Section 108 of the Housing and Community Development Act of 1974. One of the loans bears interest at rates ranging from 4.95% to 6.59% and matures in August 2016. The second loan dated December 2012, stipulates a maximum commitment amount of \$4,100,000 for a specific capital project. During 2012, the Town received \$2,950,000 of this commitment amount and spent \$2,087,169. There was no activity in 2014 and the remaining amount of \$865,076, inclusive of interest earnings, is reported as restricted fund balance. This loan bears interest at a variable rate, which is adjusted monthly at the London Interbank Offered Rate plus .20%, and will mature in August 2027. The variable rate as of December 31, 2014 was .46%, which is the rate used to determine the future interest payments below.

The future principal and interest payments for the guaranteed assistance contract loans for the governmental activities are as follows:

Years Ending December 31,	Principal	Interest	Total Principal and Interest
2015	\$ 294,000	\$ 30,569	\$ 324,569
2016	316,000	21,060	337,060
2017	172,000	10,398	182,398
2018	180,000	9,588	189,588
2019	187,000	8,744	195,744
2020-2024	1,055,000	29,818	1,084,818
2025-2027	731,000	5,370	736,370
Total	<u>\$ 2,935,000</u>	<u>\$ 115,547</u>	<u>\$ 3,050,547</u>

The loans are secured by all current and future community development block grant allocations and will be liquidated from the community development agency fund.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM DEBT (continued)**

**General Obligation Bonds Payable**

The Town borrows money in order to acquire land or equipment or construct buildings and improvements. These long-term liabilities are backed by the full faith and credit of the Town, bear interest at rates ranging from .26% to 5.38% and mature at varying dates through May 2043.

Future principal and interest payments for bonds payable related to governmental activities are as follows:

Years Ending December 31,	Principal	Interest	Total Principal and Interest
2015	\$ 15,697,900	\$ 5,218,704	\$ 20,916,604
2016	17,165,000	4,679,338	21,844,338
2017	17,825,000	4,046,212	21,871,212
2018	13,385,000	3,420,689	16,805,689
2019	10,950,000	2,996,033	13,946,033
2020-2024	38,830,000	9,982,089	48,812,089
2025-2029	29,000,000	4,132,090	33,132,090
2030-2034	3,825,000	816,052	4,641,052
2035-2039	2,415,000	384,835	2,799,835
2040-2043	2,040,000	97,855	2,137,855
Total	<u>\$ 151,132,900</u>	<u>\$ 35,773,897</u>	<u>\$ 186,906,797</u>

There was no outstanding bonds payable for the business-type activities or the discretely presented non-major component units at December 31, 2014.

**Prior Year Defeasance of Debt**

In prior years, the Town of Babylon defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2014, \$12,530,000 of these bonds outstanding are considered defeased.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM DEBT (continued)**

**Changes in Long-term Liabilities**

Long-term liability activity, for the year ended December 31, 2014 is as follows:

	Balance 1/1/14	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/14
Governmental activities:					
General obligation bonds	\$ 147,977,900	\$ 12,570,000	\$ 14,155,000	\$ 4,740,000	\$ 151,132,900
Plus: premiums on issuance	1,712,622	376,129	468,017		1,620,734
General obligation bonds, net	149,690,522	12,946,129	14,623,017	4,740,000	152,753,634
Bond anticipation notes payable	21,090,000	3,390,000	260,000	(4,740,000)	19,480,000
Guaranteed assistance					
contract loans payable	3,213,000		278,000		2,935,000
Due to employees'					
retirement system	3,337,102		767,545		2,569,557
Compensated absences	5,096,964	3,179,292	3,061,318		5,214,938
Claims and judgments payable	6,436,689	2,071,550	442,259	195,675	8,261,655
Estimated liability for					
landfill closure and					
postclosure care costs	23,253,177		451,300	978,660	23,780,537
Other postemployment					
benefits payable	45,869,508	9,760,261	4,424,346		51,205,423
Business-type activities:					
Other postemployment					
benefits payable	266,109	58,129	37,320		286,918
	<u>\$ 258,253,071</u>	<u>\$ 31,405,361</u>	<u>\$ 24,345,105</u>	<u>\$ 1,174,335</u>	<u>\$ 266,487,662</u>

A summary of current and long-term debt amounts as of December 31, 2014 is as follows:

	Noncurrent Liabilities due Within One Year	Noncurrent Liabilities	Balance at 12/31/14
Governmental activities:			
General obligation bonds	\$ 15,697,900	\$ 135,435,000	\$ 151,132,900
Plus: premiums on issuance	481,730	1,139,004	1,620,734
General obligation bonds, net	16,179,630	136,574,004	152,753,634
Bond anticipation notes payable	655,000	18,825,000	19,480,000
Guaranteed assistance			
contract loans payable	294,000	2,641,000	2,935,000
Due to employees'			
retirement system	681,241	1,888,316	2,569,557
Compensated absences	3,190,000	2,024,938	5,214,938
Claims and judgments payable	567,250	7,694,405	8,261,655
Estimated liability for			
landfill closure and			
postclosure care costs	877,600	22,902,937	23,780,537
Other postemployment benefits payable		51,205,423	51,205,423
Business-type activities:			
Other postemployment benefits payable		286,918	286,918
	<u>\$ 22,444,721</u>	<u>\$ 244,042,941</u>	<u>\$ 266,487,662</u>

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. LONG-TERM DEBT** (continued)

**Other Long-Term Debt**

The liabilities for compensated absences, amounts due to employees' retirement system, and other postemployment benefits payable will be liquidated through future budgetary appropriations in the funds that gave rise to the liability. In most instances these amounts will be liquidated from the general fund, highway fund, and certain special revenue funds. Payments for estimated claims and judgments will be liquidated primarily from the general fund, and the residential and commercial garbage district funds. The estimated liability for landfill closure and postclosure care costs will be liquidated by the residential and commercial garbage district funds.

**Conduit Debt Obligations**

The Town of Babylon Industrial Development Agency has issued various series of bonds, considered conduit debt obligations of the Town, to finance a number of capital projects for the Town's Solid Waste Management Plan to handle, process, recycle and dispose of solid waste. Such bonds do not legally constitute a debt of the Town although the Town makes service payments sufficient to pay the principal and interest due thereon. The bonds are special and limited obligations of the Agency, payable solely from and secured by the revenues and assets pledged under the indenture. As of December 31, 2014, the outstanding Series 2009 A and B bond balances were \$40,310,000.

Bond proceeds were primarily used to finance the construction of a solid waste disposal facility, beneficially owned by Covanta Babylon, Inc. ("Covanta"), with whom the Town entered into a service agreement. Pursuant to the agreement, Covanta agreed to process the municipal solid waste of the Town for a service fee. One component of the service fee charged to the Town is the debt service.

**G. RETIREMENT SYSTEM**

Plan Description

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

Obligation 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 (the "New York State Comptroller") serves as sole trustee and administrative head of the System. The New York State 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 supplemental 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 System, 110 State Street, Albany, NY 12244-0001.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System: on or after July 27, 1976 who generally contribute 3% of their salary for the first ten years of membership, on or after January 1, 2010, who generally contribute 3% of their salary for the entire length of service, and on or after April 1, 2012, who generally contribute 3% and 6% (based on annual wage) for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employees' contributions based on salaries paid during the Systems' fiscal year ending March 31.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**G. RETIREMENT SYSTEM (continued)**

Funding Policy (continued)

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts. 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 primary government, for the current year and two preceding years were:

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Amortization Payments	2010 Incentive Installments	Prepayment Discount	2011-2012 Amortization / Deferral	Total Payment
2014	\$4,710,847	\$ (134,827)	\$ 461,877	\$ 456,637	\$ (47,487)	\$ -0-	\$ 5,447,047
2013	5,019,777	164,632	461,877	456,637	(52,961)	-0-	6,049,962
2012	4,317,427	255,714	259,771	456,637	(46,717)	(1,717,661)	3,525,171

The Town's contribution to the system was 100% of the contributions required each year.

The State, at various times, will enact laws which allow local employers to defer a portion of their retirement bill and enact laws authorizing local governments to make available various retirement incentive programs and amortize certain contribution costs. Below is a summary of these programs with which the Town opted to participate.

For years ending December 31, 2010, 2011 and 2012, the Town elected to defer a portion of its retirement bill under Chapter 57 of the Laws of 2010 of the State of New York, subject to certain stipulations. The amount deferred under Chapter 57 is payable in ten annual installments including a rate of interest set by the New York State Comptroller annually, 5% for 2012. At December 31, 2014 the amount due to the System related to this deferral is \$2,144,778.

Below are the stipulations contained in the law that allows local employers to amortize a portion of their retirement bill for 10 years:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5% 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 1% depending upon 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.

The State Legislature authorized local governments to make available various retirement incentive programs and amortize certain contribution costs. During 2010, pursuant to Chapter 105 of the Laws of 2010, the Town participated in a retirement incentive program with an estimated total costs to the Town of \$1,986,064. The cost of the 2010 incentive program is being in five installments, beginning in 2011, including interest at 5%. At December 31, 2014, the outstanding balance due to the System related to this retirement incentive was \$424,779.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. RETIREMENT SYSTEM** (continued)

Funding Policy (continued)

The total principal and interest payments payable by the primary government for the afore-mentioned programs are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2015	\$ 681,241	\$ 104,395	\$ 785,636
2016	265,286	63,713	328,999
2017	274,425	54,576	329,001
2018	283,891	45,109	329,000
2019	293,695	35,306	329,001
2020-2022	771,019	45,643	816,662
	\$ 2,569,557	\$ 348,742	\$ 2,918,299

**H. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Town, as an agent multiple-employer defined benefit OPEB plan, per its contracts with employees, will pay the premium costs for medical insurance coverage (currently provided by through the New York State Empire Plan and HIP) and reimburse the Medicare Part B premiums at retirement for the retiree and covered spouse provided the employee has met certain eligibility requirements. Eligibility and the Town's cost share vary upon employee designation and date of hire as described below.

For Civil Service Employees Association members, eligibility requirements for coverage upon retirement are: five consecutive years of service with the Town and has attained the age of 55 years. The Town will contribute 100% of the premium for these eligible employees hired prior to November 1, 2009 and 85% of the premium for those hired after November 1, 2009.

For defined administrative personnel eligibility requirements for coverage upon retirement are: five consecutive years of service with the Town and has attained the age 55 for those hired prior to November 1, 2009 and for those hired after November 1, 2009 twenty-five years of service and has attained the age of 55 years. The Town will contribute 100% of the premium for eligible retired administrative employees.

For members of Local 237 requirements for coverage upon retirement are: five consecutive years of service with the Town and has attained the age of 55 years. The Town will contribute 100% of the premium for eligible retired Local 237 employees.

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

The number of participants as of January 1, 2013, the effective date of the OPEB valuation is as follows:

	Total	Town	Component Unit
Active employees	282	278	4
Retirees	312	310	2
Spouses of retired employees	318	317	1
	912	905	7

There have been no significant changes in the number of employees or the type of coverage since that date.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**H. OTHER POSTEMPLOYMENT BENEFITS (continued)**

Funding Policy

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

Annual Other Postemployment Benefit Cost and Net Obligation

For the year ended December 31, 2014, the Town's (excluding the discretely presented component units) annual other postemployment benefits cost (expense) was \$9,818,390. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$4,461,666 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$5,356,724 for the year ended December 31, 2014. The Town's discretely presented component unit's annual other postemployment benefits cost (expense) was \$70,264. The payment of current health insurance premiums totaled \$16,772 for retirees and the component unit's beneficiaries, resulting in an increase in the other postemployment benefits liability of \$53,492 for the year ended December 31, 2014.

Benefit Obligations and Normal Cost

	Total	Town	Component Unit
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 68,593,802	\$ 68,277,165	\$ 316,637
Active employees	61,429,332	60,647,572	781,760
Total Actuarial Accrued Liability (AAL)	130,023,134	128,924,737	1,098,397
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 130,023,134</u>	<u>\$ 128,924,737</u>	<u>\$ 1,098,397</u>
Funded ratio	0%	0%	0%
Normal cost at the beginning of the year	\$ 3,473,836	\$ 3,440,361	\$ 33,475
Amortization cost at the beginning of the year	\$ 6,220,840	\$ 6,184,242	\$ 36,598
Annual covered payroll	\$ 23,497,449	\$ 23,497,449	n/a*
UAAL as a percentage of covered payroll	553.35%	548.68%	n/a*

\*Information was not available for the component unit

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount which is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town for the year ended December 31, 2014 amounted to \$128,924,737. The unfunded actuarial accrued liability for the component unit for the year ended December 31, 2014 amounted to \$1,098,397.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**H. OTHER POSTEMPLOYMENT BENEFITS** (continued)

Benefit Obligations and Normal Cost (continued)

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

Level Percentage of Projected Pay Amortization  
Calculation of ARC under the Projected Unit Credit Cost Method

	Total	Town	Component Unit
Normal cost	\$ 3,560,682	\$ 3,526,370	\$ 34,312
Amortization of unfunded actuarial liability (UAAL) over 30 years	6,619,570	6,580,279	39,291
Interest	317,365	315,033	2,332
Annual required contribution (ARC)	10,497,617	10,421,682	75,935
Interest on net OPEB obligation	1,863,769	1,845,424	18,345
Adjustment to ARC	(2,472,732)	(2,448,716)	(24,016)
Annual OPEB cost	9,888,654	9,818,390	70,264
Less: Contribution for year ended December 31, 2014	(4,478,438)	(4,461,666)	(16,772)
Increase in other postemployment benefits liability	5,410,216	5,356,724	53,492
Other postemployment benefits liability at December 31, 2013	46,606,796	46,135,617	471,179
Other postemployment benefits liability at December 31, 2014	\$ 52,017,012	\$ 51,492,341	\$ 524,671
Percent of annual OPEB cost contributed	45.29%	45.44%	23.87%

Funded Status and Funding Progress

The percentage contributed, as it relates to the primary government, for the current year and preceding two years were:

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2014	\$ 9,818,390	\$ 4,461,666	45.44%	\$ 51,492,341
2013	9,454,274	4,016,397	42.48%	46,135,617
2012	10,458,173	4,523,834	43.26%	40,697,740

The projected funded status of the plan as of December 31, 2014, based on the January 1, 2013 valuation is as follows:

	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Town	\$ 128,924,737	\$ -0-	\$ 128,924,737	0.00%	\$ 23,497,449	548.68%
Component Unit	1,098,397	-0-	1,098,397	0.00%	n/a*	n/a*

\*Information was not available for the component unit

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**H. OTHER POSTEMPLOYMENT BENEFITS** (continued)

Funded Status and Funding Progress (continued)

The required schedule of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of 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, 2013 actuarial valuation, the liabilities were computed using the projected unit credit cost method and level percentage of projected payroll of active plan members on a closed basis. The actuarial assumptions utilized a 4.00% discount rate and a 2.50% payroll growth rate. The valuation assumes a 9.0% (pre 65) and a 7.5% (post 65) healthcare cost trend for 2013, with an ultimate medical trend rate of 5% to be reached in 2017 for both pre and post 65. The remaining amortization period at December 31, 2014 was twenty-two years.

**I. SERVICE AWARD PROGRAM**

Plan Description

The Town of Babylon sponsors five Volunteer Firefighters Workers Service Award Programs ("the Plans"): North Amityville, East Farmingdale, Wyandanch, North Babylon, and North Lindenhurst. All plans are single-employer defined benefit plans covering the Town's volunteer firefighters. The Plans were established pursuant to Article 11A of General Municipal Law. The Plans provide municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters.

Participation, Vesting, and Service Credit

Active volunteer firefighters who have reached the age of 18 on the last day of the year and who have completed one year of firefighting service are eligible to participate in the Plan. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the Plan's entitlement age while active or becoming totally and permanently disabled or upon death while an active member. The Plan's entitlement age is the later of age 62 or the age after first year of service credit. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Plan in which he or she becomes eligible to participate. A Participant may also receive credit for five years of firefighting service (called "Prior Service") rendered prior to the establishment of the Plan.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS** (continued)

**I. SERVICE AWARD PROGRAM** (continued)

Benefits

A Participant's benefit under the Plan is the actuarial equivalent of a monthly payment for life equal to \$15 to \$20 (as determined by each Plan), multiplied by the Participant's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty years (including Prior Service credits). Except in the case of disability or death, benefits are payable when the Participant has attained the entitlement age of 62. The program provides statutorily mandated death and disability benefits. As defined by some of the Plans, an active firefighter is credited with a year of service for each calendar year after the establishment of the program in which they accumulate fifty points. Points are granted for the performance of certain activities in accordance with a system established by the Town of Babylon on the basis of a statutory list of activities and point values.

Fiduciary Investment Control

Service credit is determined based on information certified to the Town Board by each Fire Department. Each Fire Department must maintain all required records on forms prescribed by the Town Board.

The Town Board has retained and designated Hometown Insurance to assist in the administration of the Plans, except for Wyandanch for which the Town retained Volunteer Fireman's Insurance Services. The designated Plan administrator's functions include calculating the amount to be contributed at the end of each year based upon the criteria set forth in the Plan Documents, and calculation of participant benefits annually and at entitlement. Disbursements of Plan assets for the payment of benefits or administrative expenses must be approved by the Town Board. The Town Board has retained and designated New York Life Insurance Co. and its subsidiaries as the Custodians of the Plans' assets, except for Wyandanch for which the Town retained Hartford Life Insurance Company. The Custodians shall make payments to Plan Participants and their beneficiaries in accordance with the Plan Documents.

Plan assets are required to be held in trust by Length of Service Award Program 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 Plan.

The Trustees of the Service Award Program are the Town Board. Authority to invest Plan assets is vested in the Town Board. Subject to restrictions in the Plan document, Plan assets are invested in accordance with a statutory "prudent person" rule. The Town is required to retain an actuary to determine the amount of the Town's contributions to the plan. The actuary retained by the Town for this purpose is Harbridge, Inc., except for Wyandanch for which the Town retained Gerald R Shea, Percert, LTD. Portions of the following information are derived from reports prepared by the actuaries.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**I. SERVICE AWARD PROGRAM (continued)**

Fiduciary Investment Control (continued)

Plan financial condition as of and for the year ended December 31, 2014:

	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
<u>Assets</u>					
Actuarial present value of benefits at January 1	\$ 4,774,538	\$ 1,980,811	\$ 5,458,628	\$ 3,724,507	
benefits at February 1					\$ 544,202
Less: assets available for benefits	<u>3,608,405</u>	<u>1,545,867</u>	<u>3,273,026</u>	<u>2,460,348</u>	<u>392,454</u>
Total unfunded benefits	1,166,133	434,944	2,185,602	1,264,159	151,748
Less: unfunded liability for prior service	<u>(1,166,133)</u>	<u>(434,944)</u>	<u>(2,185,602)</u>	<u>(1,264,159)</u>	<u>(270,225)</u>
Unfunded (overfunded) normal benefits	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (118,477)</u>
<u>Assets Available for Benefits</u>					
Cash & short-term investments	\$ 329,677	\$ 24,236	\$ 52,878	\$ 40,101	
Annuities	2,689,634	1,249,281	2,164,703	1,887,478	\$ 392,454
Insurance contracts	<u>589,094</u>	<u>272,350</u>	<u>1,055,445</u>	<u>532,769</u>	
Total assets available for benefits	<u>\$ 3,608,405</u>	<u>\$ 1,545,867</u>	<u>\$ 3,273,026</u>	<u>\$ 2,460,348</u>	<u>\$ 392,454</u>
<u>Receipts and Disbursements</u>					
Plan assets, beginning of year	\$ 3,502,246	\$ 1,507,005	\$ 3,151,063	\$ 1,976,739	\$ 406,598
Plan contributions - 2014	96,000	104,000	188,000	192,000	97,612
Investment income earned	89,845	41,022	65,258	58,934	16,170
Change in insurance contracts	6,450	(2,546)	(152,089)	91,340	
Other receipts / bank error	13,575	26,238	221,178	305,289	
Plan benefit withdrawals	(99,711)	(129,852)	(200,384)	(163,954)	(115,918)
Administrative fees / premiums					<u>(12,008)</u>
Plan assets, end of year	<u>\$ 3,608,405</u>	<u>\$ 1,545,867</u>	<u>\$ 3,273,026</u>	<u>\$ 2,460,348</u>	<u>\$ 392,454</u>

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2014

**3. DETAILED NOTES ON ALL FUNDS (continued)**

**I. SERVICE AWARD PROGRAM (continued)**

Fiduciary Investment Control (continued)

Plan financial condition as of and for the year ended December 31, 2014:

	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Prior Service Costs					
Amortization period	6-10 years	10- 12 years	10- 18 years	10- 18 years	25 years
Discount rate	5.25%	5.25%	5.25%	5.25%	4.75%
Contributions					
Recommend by actuary - 2014					
Minimum	\$ 270,659	\$ 100,796	\$ 330,350	\$ 248,750	\$ 92,999
Maximum	\$ 304,678	\$ 109,918	\$ 417,517	\$ 315,904	\$ 92,999
2014 Actual Contribution	\$ 96,000	\$ 104,000	\$ 188,000	\$ 192,000	\$ 97,612
Administration Fees					
Paid to Plan Administrator by:					
Sponsor	\$ 3,005	\$ 2,753	\$ 6,438	\$ 5,144	\$ -0-
Plan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,023
Paid to Trustee	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Other					
Effective date of Plan	1/1/1990	1/1/1990	1/1/1990	1/1/1990	2/1/2005
Valuation date	1/1/2015	1/1/2015	1/1/2015	1/1/2015	2/1/2015
Actuary report date	March 2015	April 2015	February 2015	April 2015	March 2015
Assumed rate of return	5.25%	5.25%	5.25%	5.25%	4.75%
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit	Unit Credit	Entry Age Normal Frozen Initial Liability
Mortality table used	**	**	**	**	*
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value

\* RP-2000 Combined Table - Unisex

\*\* 1984 Unisex Pensioners

**J. COMPENSATED ABSENCES**

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

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2014, the value of the accumulated vacation time and sick leave of the primary government was \$5,214,937.

**TOWN OF BABYLON**  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2014

**4. COMMITMENTS AND CONTINGENCIES**

**A. RISK MANAGEMENT**

In common with other municipalities, the Town receives numerous notices of claims. The Town carries excess liability insurance coverage of \$5,000,000 per occurrence with a \$5,000,000 annual aggregate, excess of a \$1,000,000 self-insured retention, except for Public Officials and Employment Practices claims, which are subject to a \$100,000 self-insured retention. The Town established a self-insurance program for its general and auto liability coverage. This program is administered by an independent company, which furnishes claims review and processing. Although the eventual outcome of these claims cannot presently be determined, the Town Attorney and the independent company have estimated unsettled claims and litigation to be \$7,082,850. 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 procures "All Risk" property protection, subject to a deductible of \$50,000 per loss. The perils of earthquake and flood are limited at \$1,000,000.

The Town ceased being self-insured in June of 1999, and purchased an insurance policy for the workers' compensation coverage in order to minimize the costs. Any open claims prior to June 1999 have been reserved for as reported below. The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel and past experience with similar claims. 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 has not purchased any annuity contracts with regard to its workers' compensation or general liability claims. The schedule below presents the changes in claims liabilities for the past two years for workers' compensation and general liability and includes an estimate of claims that have been incurred but not yet reported.

The following is a reconciliation of the estimated liabilities:

	General & Auto Liability Coverage		Workers' Compensation	
	2014	2013	2014	2013
Beginning balances of claims liabilities at January 1	\$ 5,092,228	\$ 4,906,459	\$ 1,344,461	\$ 1,521,688
Claims incurred	2,071,550	988,250	-0-	-0-
Claims payments	(102,534)	(362,150)	(339,725)	(384,507)
Change to prior year estimates	21,606	(440,331)	174,069	207,280
Ending balance of claims liabilities at December 31	<u>\$ 7,082,850</u>	<u>\$ 5,092,228</u>	<u>\$ 1,178,805</u>	<u>\$ 1,344,461</u>

**B. GENERAL LITIGATION**

Consistent with other municipalities, the Town has been named a defendant in various legal actions in the course of ordinary operations. The Town has accrued for all estimated and probable contingent losses. 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. An estimate cannot be made on certain legal actions that have possible unfavorable outcome against the Town. In the opinion of the Town Attorney, the potential loss on all claims will not materially affect the Town's financial position.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**4. COMMITMENTS AND CONTINGENCIES (continued)**

**C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid near or after the date that each landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a program expense based on the landfill capacity used as of year end. The Town has accrued \$23,780,537 at December 31, 2014, which represents the cumulative amount based on the use of 100% of the solid waste landfill, 100% of the estimated capacity of the northern ash landfill and 58.73% of the estimated capacity of the southern ash landfill. The Town will recognize the remaining estimated cost of closure and postclosure care of \$6,826,888 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care costs in 2014 dollars. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The solid waste landfill was closed in 1997 and the Town expects to close the northern ash landfill and southern ash landfill in 2016 and 2033, respectively.

**D. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS INCLUDING ENCUMBRANCES**

The Town is committed to capital improvements to its various facilities and infrastructure. At December 31, 2014, these commitments, reported in the capital project fund amounted to \$7,543,240.

**E. POLLUTION REMEDIATION OBLIGATION**

The Town's policy is to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

The Town:

- Is compelled to take remediation action because of imminent endangerment
- Violates a pollution related permit or license
- Is named or will be named as a responsible party or potentially responsible party for a remediation
- Is named, or will be named in a lawsuit to compel pollution remediation
- Commences or obligates itself to remediate pollution

The Town has purchased properties throughout the Town with the intent to redevelop and resell to eligible individuals and businesses. Prior to the purchase of these properties, an outside engineer performs a site assessment of the land for any potential pollution remediation. If a potential liability exists, the seller of the property places the estimated costs for the cleanup in a third party escrow account to fund these future costs. Therefore, while certain Town owned properties have been identified as having contaminated land as of December 31, 2014, the Town does not have any liability related to these future costs and has not reported a liability on the government-wide statements.

**F. RESOURCE RECOVERY FACILITY**

The Town of has entered into a 30 year agreement, expiring in 2019, with Covanta Babylon, Inc. ("Covanta") which owns and operates a resource recovery facility (the "Facility") in the Town. Under this service agreement, the Town has committed to deliver certain tonnages of municipal solid waste ("MSW") to Covanta. The MSW is used to generate electricity at the Facility which is sold to the Public Service Enterprise Group (formerly the Long Island Power Authority) pursuant to an Electricity Agreement. Additionally, Covanta reclaims and sells recoverable materials from the Facility's Ash residue.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**4. COMMITMENTS AND CONTINGENCIES** (continued)

**F. RESOURCE RECOVERY FACILITY** (continued)

Under the terms of the agreement, the Town has obligated itself to pay service fees per tonnage for the processing of the Town's municipal waste. As mentioned in Note 3 E Conduit Debt Obligations, one component of the service fee charged to the Town is the amount of Covanta's debt service requirements. However the Town receives certain credits to be applied against the service fee as follows: approximately 90% of revenues Covanta receives from the sale of electricity to Public Service Enterprise Group as well as 50% of the revenues Covanta receives from the sale of recoverable materials.

**G. FUTURE MINIMUM OPERATING LEASES**

The Town leases various buildings and land to various parties under operating lease agreements with terms ranging from one year to twenty five years. The leases generally require the lessees to pay repairs and maintenance and utilities. Future minimum rentals under existing operating leases at December 31, 2014 are as follows:

Years Ending December 31, 2015	\$	591,607
2016		544,213
2017		483,199
2018		453,328
2019		406,798
Thereafter		<u>4,187,205</u>
	\$	<u><u>6,666,350</u></u>

The Town is party to various leases with individuals for certain Town owned beach front properties. In October 1996, the Town entered into a sublease agreement with a third party which transferred the Town's rights including the right to receive and retain future rental income from these beach front properties. The sublease agreement commenced January 1997 and expires in December 2021. Under the terms of the sublease agreement, the Town has guaranteed the future rents due under the terms of the lease at the discounted present value.

The Town leases equipment accounted for as operating leases. Total rental expenditures on such leases for the year ended December 31, 2014 approximated \$350,000. The maximum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2015	\$	295,970
2016		228,003
2017		172,247
2018		104,194
2019		<u>34,555</u>
	\$	<u><u>834,969</u></u>

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014

**4. COMMITMENTS AND CONTINGENCIES (continued)**

**H. SERVICE CONCESSION ARRANGEMENT**

Pursuant to an agreement dated October 2010, the Town is leasing the East Farmingdale Water Plant to the Suffolk County Water Authority ("SCWA"). Under the terms of the agreement, SCWA will operate and maintain the water plant as well as provide retail sales of water to the District's residents using rates established by the District. The cost and net book value of the leased water plant is \$8,443,410 and \$6,148,508, respectively. In consideration, SCWA paid the District an upfront payment of \$3 million which is being amortized over the forty year term of the agreement. As of December 31, 2014, the Town reported a deferred inflow of resources in the amount of \$2,687,500 in the proprietary fund and government-wide financial statements. As mentioned previously, the authority to set the water billing rates resides with the District. However, pursuant to the lease agreement, SCWA is entitled to receive management fee revenue equal to the revenues it would have received if the SCWA rates were billed. The differential between revenues earned from the actual billings (using District set rates) and the management fee (calculated using SCWA rates) is billed quarterly. The District paid \$415,127 of management fees to SCWA during the year ended December 31, 2014. Any billings in excess of the SCWA management fee will be remitted back to the District.

**I. OTHER COMMITMENTS**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**5. SUBSEQUENT EVENTS**

In July 2015, the Town issued bond anticipation notes in the amount of \$14,650,000, with an interest rate of 2.00%. Bond anticipation note proceeds in the amount of \$6,785,000 will be used to refinance a portion of the 2014 bond anticipation notes and the remaining proceeds of \$7,865,000 will be used for various capital projects and to purchase equipment. The bond anticipation notes will mature July 1, 2016.

In July 2015, the Town issued tax exempt and taxable general obligation bonds in the amounts of \$5,340,000 and \$13,640,000, respectively. Bond proceeds in the amount of \$12,040,000 will be used to refinance a portion of the 2014 bond anticipation notes. The remaining bond proceeds of \$7,030,000 will be used for various capital projects and to purchase equipment. The tax exempt general obligation bonds will mature July 1, 2029 and bear interest at a 3% rate. The taxable general obligation bonds will mature July 1, 2040 and bear interest at rates ranging from 3.00% to 4.75%.

**6. NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued the following Statements:

Statement No. 68 "*Accounting and Financial Reporting for Pensions*"—an amendment of GASB Statement No. 27 of which the primary objective 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.

Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement date – an amendment of GASB Statement No. 68*" of which the objective is to address an issue regarding application of the transition provisions of Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provision of Statement No. 68.

**TOWN OF BABYLON**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**6. NEW PRONOUNCEMENTS** (continued)

Statement No. 72 *"Fair Value Measurement and Application"* includes requirements that will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68"* the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016

Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* the objective of which is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

The Town is currently evaluating the impact of the above pronouncements.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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 are made. The capital projects and special grant funds (non-major funds) are 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 BABYLON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2014**

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REAL PROPERTY TAXES</b>				
Ad valorem taxes	\$ 34,341,987	\$ 34,341,987	\$ 34,341,987	\$ -0-
Total Real Property Taxes	<u>34,341,987</u>	<u>34,341,987</u>	<u>34,341,987</u>	<u>-0-</u>
<b>OTHER REAL PROPERTY TAX ITEMS</b>				
Payment in lieu of taxes	750,000	750,000	867,484	117,484
Interest and penalties on real property taxes	300,000	300,000	252,631	(47,369)
Total Other Real Property Tax Items	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,120,115</u>	<u>70,115</u>
<b>NON-PROPERTY TAX ITEMS</b>				
Franchise fees	3,000,000	2,940,000	3,174,949	234,949
Other non-property tax items	575,000	705,000	830,936	125,936
Total Non-Property Tax Items	<u>3,575,000</u>	<u>3,645,000</u>	<u>4,005,885</u>	<u>360,885</u>
<b>DEPARTMENTAL INCOME</b>				
Assessor's fees	15,000	15,000	15,090	90
Town Clerk's fees	400,000	400,000	422,953	22,953
Public health fees	70,000	132,810	123,460	(9,350)
Public pound fees and dog control service	25,000	25,000	48,595	23,595
Wyandanch program fees	80,000	80,000	84,791	4,791
Other health department fees	450,000	450,000	457,002	7,002
Park and recreation charges and fees	1,900,000	1,900,000	1,984,036	84,036
Total Departmental Income	<u>2,940,000</u>	<u>3,002,810</u>	<u>3,135,927</u>	<u>133,117</u>
<b>USE OF MONEY AND PROPERTY</b>				
Interest and earnings	40,000	40,000	33,996	(6,004)
Rental of real property	2,300,000	2,300,000	2,225,750	(74,250)
Total Use of Money and Property	<u>2,340,000</u>	<u>2,340,000</u>	<u>2,259,746</u>	<u>(80,254)</u>
<b>LICENSES AND PERMITS</b>				
Bingo licenses	20,000	20,000	13,940	(6,060)
Dog licenses	11,000	11,000	12,364	1,364
Licenses - other	5,000	5,000	122	(4,878)
Plumbing permits	40,000	40,000	46,807	6,807
Impact fees	100,000	100,000	100,000	-0-
Permits - other	38,700	38,700	57,075	18,375
Total Licenses and Permits	<u>214,700</u>	<u>214,700</u>	<u>230,308</u>	<u>15,608</u>
<b>FINES AND FORFEITURES</b>				
Fines and forfeited bail	1,400,000	1,400,000	1,219,235	(180,765)
Forfeitures of deposits	15,000	15,000	91,262	76,262
Total Fines and Forfeitures	<u>1,415,000</u>	<u>1,415,000</u>	<u>1,310,497</u>	<u>(104,503)</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Sale of scrap and excess materials	10,000	10,000	6,311	(3,689)
Total Sale of Property and Compensation for Loss	<u>10,000</u>	<u>10,000</u>	<u>6,311</u>	<u>(3,689)</u>
<b>INTERFUND REVENUE</b>				
Interfund revenue	2,200,000	2,200,000	3,104,653	904,653
Total Interfund Revenue	<u>2,200,000</u>	<u>2,200,000</u>	<u>3,104,653</u>	<u>904,653</u>
<b>MISCELLANEOUS LOCAL SOURCES</b>				
Gifts and donations	50,000	50,000	115,370	65,370
Refunds of prior years' expenditures	20,000	20,000	40,097	20,097
Grants from local governments	15,000	27,000	22,689	(4,311)
Narcotics guidance counsel - local aid			57,689	57,689
Youth Project safe - local aid			18,203	18,203
Youth programs - local aid			310,189	310,189
Residential repair - local aid	24,832		2,416	2,416
Wyandanch nutrition program - local aid	200,000		21,932	21,932
Other miscellaneous revenue	200,000	260,000	110,322	(149,678)
Total Miscellaneous Local Sources	<u>509,832</u>	<u>357,000</u>	<u>698,907</u>	<u>341,907</u>
<b>STATE AID</b>				
Mortgage tax	3,300,000	3,300,000	3,562,637	262,637
Narcotics guidance counsel	424,370			
Youth programs	447,000	447,000	145,285	(301,715)
Youth project S.A.F.E.	35,000	35,000	18,279	(16,721)
Therapeutic recreation and senior day training program	80,000	80,000	59,210	(20,790)
State grants - other	100,000	514,663	438,176	(76,487)
Total State and County Aid	<u>4,386,370</u>	<u>4,376,663</u>	<u>4,223,587</u>	<u>(153,076)</u>

(continued)

**TOWN OF BABYLON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>FEDERAL AID</b>				
General government aid		1,991	24,527	22,536
Narcotics guidance counsel		424,370	281,659	(142,711)
Residential repair		24,832	21,743	(3,089)
Wyandanch nutrition program		200,000	223,121	23,121
Total Federal Aid	-0-	651,193	551,050	(100,143)
Total Revenues	52,982,889	53,604,353	54,988,973	1,384,620
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT SUPPORT</b>				
Town Board	453,660	455,141	454,509	632
Municipal court	123,530	123,530	55,105	68,425
Traffic violations bureau	159,236	162,966	128,967	33,999
Town Supervisor	954,501	950,663	863,380	87,283
Finance	51,437	54,505	53,580	925
Comptroller	696,453	731,453	659,719	71,734
Auditor	220,000	220,000	202,500	17,500
Receiver of taxes	673,671	673,671	628,633	45,038
Fiscal agent	40,332			
Purchasing	273,220	338,631	338,628	3
Assessor	2,019,188	2,019,188	1,804,296	214,892
Town Clerk	540,623	533,679	484,288	49,391
Town Attorney	1,546,368	1,546,368	1,334,602	211,766
Personnel	167,033	167,033	164,348	2,685
Engineering	350,050	349,909	342,376	7,533
Board of ethics	1,500	1,500	1,225	275
Records management	70,179	77,123	76,812	311
Public works administration	200,305	204,663	204,612	51
Buildings and grounds	3,581,307	4,389,306	4,359,812	29,494
Central garage and central fuel facility	1,796,465	1,792,107	1,751,295	40,812
Central printing and mailing	687,293	680,221	679,068	1,153
Central data processing	808,410	770,150	731,168	38,982
Unallocated insurance	1,100,000	1,100,000	279,730	820,270
Municipal association dues	3,500	3,500		3,500
Purchase of land		707,210	707,210	-0-
Taxes and assessments on municipal property	75,000	75,000	1,130	73,870
Contingencies - contractual and other	102,065	58,719		58,719
Other general government support	100,000	100,000	15,255	84,745
Total General Government Support	16,795,326	18,286,236	16,322,248	1,963,988
<b>PUBLIC SAFETY</b>				
Traffic control	645,296	645,296	640,790	4,506
Control of animals	879,734	873,934	846,376	27,558
Examining boards	27,500	27,641	27,641	-0-
Civil defense	9,500	9,500	9,208	292
Total Public Safety	1,562,030	1,556,371	1,524,015	32,356
<b>HEALTH</b>				
Narcotics addition control	922,072	889,901	970,959	(81,058)
Therapeutic recreation program	289,995	289,995	288,255	1,740
Nutrition program	600,965	584,891	579,748	5,143
Project S.A.F.E.	93,015	93,015	93,015	-0-
Youth Institute CCS	241,500	241,500	240,894	606
Other public health		333,294	340,531	(7,237)
Total Health	2,147,547	2,432,596	2,513,402	(80,806)
<b>ECONOMIC ASSISTANCE AND OPPORTUNITY</b>				
Human services administration	279,599			
Publicity	63,800	63,908	18,889	45,019
Promotion of industry	53,428	53,428	52,117	1,311
Veterans' services	9,400	9,400	5,340	4,060
Programs for the aging	104,739	114,208	113,660	548
Other economic development	45,132	40,632	36,425	4,207
Total Economic Assistance and Opportunity	556,098	281,576	226,431	55,145
<b>CULTURE AND RECREATION</b>				
Council on the arts	15,000	15,000	15,000	
Parks and recreation administration	824,098	883,982	864,158	19,824
Parks	4,304,147	4,238,980	4,130,858	108,122
Playground and recreation centers	491,500	490,500	439,742	50,758
Special recreation facilities	2,392,800	2,333,916	2,124,927	208,989
Youth programs	1,103,478	1,103,478	1,073,058	30,420
Town historian	68,941	80,941	77,126	3,815
Adult recreation	926,276	924,747	1,058,097	(133,350)
Total Culture and Recreation	10,126,240	10,071,544	9,782,966	288,578

(continued)

**TOWN OF BABYLON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>HOME AND COMMUNITY SERVICES</b>				
Environmental control	919,554	1,439,274	1,356,457	82,817
Other home and community services		195,167	195,167	-0-
Total Home and Community Services	<u>919,554</u>	<u>1,634,441</u>	<u>1,551,624</u>	<u>82,817</u>
<b>EMPLOYEE BENEFITS</b>				
Retirement system	3,804,083	3,267,602	3,175,597	92,005
Social security	1,447,421	1,457,187	1,457,129	58
Workers' compensation	1,270,500	1,134,258	1,071,770	62,488
Life insurance	15,000	15,928	15,928	-0-
Unemployment benefits	200,000	200,000	61,775	138,225
Disability benefits	25,500	25,500	19,061	6,439
Hospital, medical, vision and dental	5,643,229	5,243,229	5,227,442	15,787
Other employee benefits	408,938	408,938	407,212	1,726
Total Employee Benefits	<u>12,814,671</u>	<u>11,752,642</u>	<u>11,435,914</u>	<u>316,728</u>
<b>DEBT SERVICE</b>				
Principal	5,635,971	5,895,971	5,895,971	-0-
Interest	2,843,613	2,843,613	2,842,555	1,058
Bond issuance costs		102,102	102,102	-0-
Total Debt Service	<u>8,479,584</u>	<u>8,841,686</u>	<u>8,840,628</u>	<u>1,058</u>
Total Expenditures	<u>53,401,050</u>	<u>54,857,092</u>	<u>52,197,228</u>	<u>2,659,864</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(418,161)</u>	<u>(1,252,739)</u>	<u>2,791,745</u>	<u>4,044,484</u>
<b>OTHER FINANCING SOURCES</b>				
Principal amount of bond anticipation notes			3,390,000	3,390,000
Premium on obligations		6,500	260,278	253,778
Operating transfers in	150,000	150,000	99,582	(50,418)
Sale of capital assets	175,000	175,000	1,485,650	1,310,650
Insurance recovery	30,000	858,078	853,282	(4,796)
Total Other Financing Sources	<u>355,000</u>	<u>1,189,578</u>	<u>6,088,792</u>	<u>4,899,214</u>
<b>Net Change in Fund Balance</b>	<u>\$ (63,161)</u>	<u>\$ (63,161)</u>	<u>8,880,537</u>	<u>\$ 8,943,698</u>
<b>Fund Balance at Beginning of Year</b>			<u>28,117,334</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 36,997,871</u>	

**TOWN OF BABYLON**  
**RESIDENTIAL GARBAGE DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 17,745,805	\$ 17,745,805	\$ 17,745,805	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Other tax items	1,830,415	1,830,415	1,830,415	-0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	6,503,331	6,533,331	5,086,913	(1,446,418)
Long Island Green Homes	2,000,000	2,000,000	1,924,368	(75,632)
Total Departmental Income	<u>8,503,331</u>	<u>8,533,331</u>	<u>7,011,281</u>	<u>(1,522,050)</u>
USE OF MONEY AND PROPERTY				
Interest earnings	250,000	250,000	349,727	99,727
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			65	65
STATE AID				
Home and community services aid			17,717	17,717
FEDERAL AID				
Home and community services aid		24,000	281,277	257,277
Total Revenues	<u>28,329,551</u>	<u>28,383,551</u>	<u>27,236,287</u>	<u>(1,147,264)</u>
<b>EXPENDITURES</b>				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	26,241,775	24,055,650	22,904,477	1,151,173
Long Island Green Homes program	1,000,000	3,219,241	3,219,241	-0-
Unallocated insurance	50,000	50,000	48,548	1,452
Total Home and Community Services	<u>27,291,775</u>	<u>27,324,891</u>	<u>26,172,266</u>	<u>1,152,625</u>
EMPLOYEE BENEFITS				
Retirement system	150,000	150,000	143,298	6,702
Social security	84,062	84,062	56,268	27,794
Workers' compensation	47,500	47,500	42,598	4,902
Life insurance	445	655	655	-0-
Unemployment benefits	7,000	7,000	(127)	7,127
Disability benefits	1,500	1,500	900	600
Hospital, medical, vision and dental	134,509	153,475	153,323	152
Union welfare benefits	17,000	17,000	16,969	31
Total Employee Benefits	<u>442,016</u>	<u>461,192</u>	<u>413,884</u>	<u>47,308</u>
DEBT SERVICE				
Principal	699,654	699,654	699,654	-0-
Interest	83,239	83,239	83,239	-0-
Bond issuance costs		5,708	5,708	-0-
Total Debt Service	<u>782,893</u>	<u>788,601</u>	<u>788,601</u>	<u>-0-</u>
Total Expenditures	<u>28,516,684</u>	<u>28,574,684</u>	<u>27,374,751</u>	<u>1,199,933</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(187,133)</u>	<u>(191,133)</u>	<u>(138,464)</u>	<u>52,669</u>
<b>OTHER FINANCING SOURCES</b>				
Premium on obligations		4,000	19,035	(15,035)
Total Other Financing Sources	<u>-0-</u>	<u>4,000</u>	<u>19,035</u>	<u>(15,035)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (187,133)</u>	<u>\$ (187,133)</u>	<u>(119,429)</u>	<u>\$ 67,704</u>
<b>Fund Balance at Beginning of Year</b>			<u>20,243,320</u>	
<b>Fund at Balance End of Year</b>			<u>\$ 20,123,891</u>	

**TOWN OF BABYLON**  
**COMMERCIAL GARBAGE DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 6,095,414	\$ 6,095,414	\$ 6,095,414	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes			8,261	8,261
DEPARTMENTAL INCOME				
Refuse and garbage fees	19,801,797	19,801,797	17,419,718	(2,382,079)
USE OF MONEY AND PROPERTY				
Interest earnings	15,000	15,000	8,082	(6,918)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of refuse containers			70,100	70,100
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior years' expenditures			102	102
FEDERAL AID				
Emergency disaster assistance program - severe storms			5,174	5,174
Total Revenues	<u>25,912,211</u>	<u>25,912,211</u>	<u>23,606,851</u>	<u>(2,305,360)</u>
<b>EXPENDITURES</b>				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	24,055,908	24,000,489	20,780,125	3,220,364
Landfill closure/postclosure costs	125,000	125,000	87,663	37,337
Unallocated insurance	44,000	44,000	43,628	372
Total Home and Community Services	<u>24,224,908</u>	<u>24,169,489</u>	<u>20,911,416</u>	<u>3,258,073</u>
EMPLOYEE BENEFITS				
Retirement system	150,000	175,805	173,996	1,809
Social security	69,758	71,505	71,505	-0-
Workers' compensation	45,000	43,192	42,599	593
Life insurance	200	202	202	-0-
Unemployment benefits	500	500		500
Disability benefits	1,500	1,500	1,210	290
Hospital, medical, vision and dental	156,750	178,966	178,772	194
Union welfare benefits	9,000	10,749	10,749	-0-
Total Employee Benefits	<u>432,708</u>	<u>482,419</u>	<u>479,033</u>	<u>3,386</u>
DEBT SERVICE				
Principal	633,191	633,191	633,191	-0-
Interest	75,334	75,334	75,334	-0-
Bond issuance costs		5,708	5,708	-0-
Total Debt Service	<u>708,525</u>	<u>714,233</u>	<u>714,233</u>	<u>-0-</u>
Total Expenditures	<u>25,366,141</u>	<u>25,366,141</u>	<u>22,104,682</u>	<u>3,261,459</u>
<b>Excess of Revenues Over Expenditures</b>	<u>546,070</u>	<u>546,070</u>	<u>1,502,169</u>	<u>956,099</u>
<b>OTHER FINANCING SOURCES</b>				
Premium on obligations			22,652	22,652
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>22,652</u>	<u>22,652</u>
<b>Net Change in Fund Balance</b>	<u>\$ 546,070</u>	<u>\$ 546,070</u>	<u>1,524,821</u>	<u>\$ 978,751</u>
<b>Fund Balance at Beginning of Year</b>			<u>5,648,944</u>	
<b>Fund at Balance End of Year</b>			<u>\$ 7,173,765</u>	

**TOWN OF BABYLON**  
**HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 17,966,914	\$ 17,966,914	\$ 17,966,914	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	560,000	560,000	572,751	12,751
USE OF MONEY AND PROPERTY				
Interest earnings	27,000	27,000	14,246	(12,754)
LICENSES AND PERMITS				
Street inspection fees	60,000	60,000	179,342	119,342
Other permits	50	50	368,332	368,282
Total Licenses and Permits	<u>60,050</u>	<u>60,050</u>	<u>547,674</u>	<u>487,624</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	50	50		(50)
MISCELLANEOUS LOCAL SOURCES				
Refund of prior year expenditures			2,239	2,239
Other miscellaneous revenue	37,000	37,000	14,582	(22,418)
Total Miscellaneous Local Sources	<u>37,000</u>	<u>37,000</u>	<u>16,821</u>	<u>(20,179)</u>
STATE AID				
Consolidated local street and highway improvement program	1,200,000	1,352,090	1,351,456	(634)
Other state aid			328	328
Total State Aid	<u>1,200,000</u>	<u>1,352,090</u>	<u>1,351,784</u>	<u>(306)</u>
FEDERAL AID				
General government aid			984	984
Transportation aid			11,547	11,547
Total Federal Aid	<u>-0-</u>	<u>-0-</u>	<u>12,531</u>	<u>12,531</u>
Total Revenues	<u>19,851,014</u>	<u>20,003,104</u>	<u>20,482,721</u>	<u>479,617</u>
<b>EXPENDITURES</b>				
TRANSPORTATION				
Street administration	564,396	522,671	517,263	5,408
Maintenance of streets	3,944,536	3,515,851	3,515,848	3
Permanent improvements	1,270,000	1,398,426	1,398,426	-0-
Machinery	945,746	902,495	902,495	-0-
Snow removal	500,000	1,210,849	1,210,849	-0-
Unallocated insurance	77,500	84,197	84,197	-0-
Total Transportation	<u>7,302,178</u>	<u>7,634,489</u>	<u>7,629,078</u>	<u>5,411</u>
EMPLOYEE BENEFITS				
Retirement system	1,087,843	853,279	853,279	-0-
Social security	375,017	388,983	388,983	-0-
Workers' compensation	340,320	316,610	312,825	3,785
Life insurance	300	479	479	-0-
Unemployment benefits	32,050	32,050	18,169	13,881
Disability benefits	400	538	538	-0-
Hospital, medical, vision and dental	1,893,928	1,894,913	1,733,175	161,738
Union welfare benefits	106,970	106,970	104,310	2,660
Total Employee Benefits	<u>3,836,828</u>	<u>3,593,822</u>	<u>3,411,758</u>	<u>182,064</u>
DEBT SERVICE				
Principal	7,071,958	7,071,958	7,071,958	-0-
Interest	2,645,450	2,645,450	2,643,143	2,307
Bond issuance costs		62,785	62,785	-0-
Total Debt Service	<u>9,717,408</u>	<u>9,780,193</u>	<u>9,777,886</u>	<u>2,307</u>
Total Expenditures	<u>20,856,414</u>	<u>21,008,504</u>	<u>20,818,722</u>	<u>189,782</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,005,400)</u>	<u>(1,005,400)</u>	<u>(336,001)</u>	<u>669,399</u>
<b>Other Financing Sources</b>				
Premium on obligations			238,576	238,576
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>238,576</u>	<u>238,576</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,005,400)</u>	<u>\$ (1,005,400)</u>	<u>(97,425)</u>	<u>\$ 907,975</u>
<b>Fund Balance at Beginning of Year</b>			<u>7,265,750</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 7,168,325</u>	

**TOWN OF BABYLON**  
**SPECIAL DISTRICTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 15,964,189	\$ 15,964,189	\$ 15,964,189	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	548,812	548,812	538,004	(10,808)
USE OF MONEY AND PROPERTY				
Interest earnings			2,379	2,379
Total Revenues	16,513,001	16,513,001	16,504,572	(8,429)
<b>EXPENDITURES</b>				
PUBLIC SAFETY				
Fire protection districts	15,044,506	15,043,731	14,961,524	82,207
HEALTH				
Ambulance districts	1,470,488	1,471,263	1,464,399	6,864
Total Expenditures	16,514,994	16,514,994	16,425,923	89,071
<b>Net Change in Fund Balance</b>	<b>\$ (1,993)</b>	<b>\$ (1,993)</b>	78,649	<b>\$ 80,642</b>
<b>Fund Balance at Beginning of Year</b>			2,184,880	
<b>Fund Balance at End of Year</b>			<b>\$ 2,263,529</b>	

**TOWN OF BABYLON**  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS  
December 31, 2014

<u>Actuarial Valuation Date January 1,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
2014	\$ -0-	\$ 128,924,737	\$ 128,924,737	0.00%	\$ 23,497,449	548.68%
2013	-0-	124,464,133	124,464,133	0.00%	23,592,704	527.55%
2012	-0-	139,087,715	139,087,715	0.00%	23,373,403	595.07%
2011	-0-	133,862,762	133,862,762	0.00%	23,119,181	579.01%
2010	-0-	125,873,809	125,873,809	0.00%	24,137,139	521.49%
2009	-0-	119,897,070	119,897,070	0.00%	24,886,220	481.78%