

TOWN OF BABYLON

FINANCIAL STATEMENTS

Year Ended December 31, 2015

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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, 2015 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/deferred outflow of resources 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, 2015. 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, 2015, 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.

Emphasis of a Matter

As described in Note 1H and 3G to the basic financial statements, the Town adopted new accounting guidance, Governmental Accounting Standard Board Statements ("GASB") No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment to GASB 68*. Accordingly, the unrestricted net position as of January 1, 2015 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information other than the management's discussion and analysis as listed in the table of contents 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 8, 2016, 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.

Albert Vignio, CPA & Co. P.C.

Hauppauge, New York
July 8, 2016

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

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, 2015.

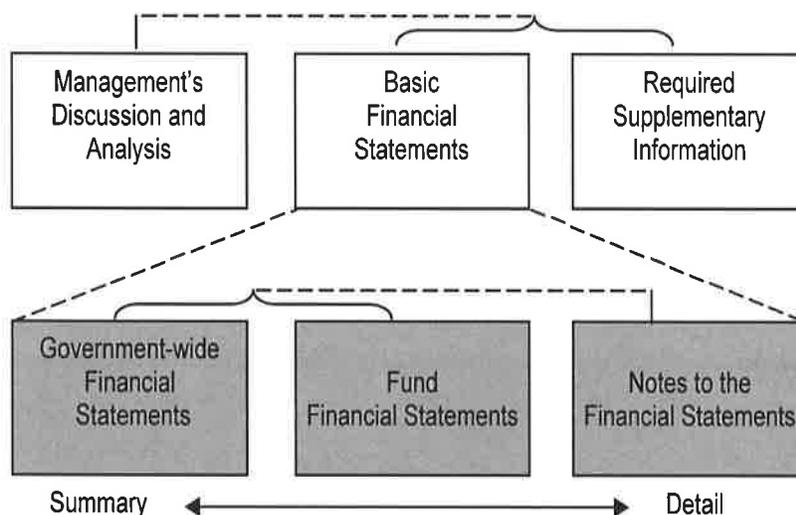
FINANCIAL HIGHLIGHTS

- 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 2015 by \$118,177,599 (net position) of which \$112,856,065 was related to the governmental activities and \$5,321,534 was related to the business-type activities.
- The Town's governmental net position increased by \$14,816,752. The most notable factors which contributed to this was the overall increase in the program revenues and general revenues received by the Town in the amounts of \$6,805,244 and \$1,856,342, respectively.
- The Town's business-type activities reported a decrease in net position of \$473,065 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 2015, the Town's governmental funds reported combined ending fund balances of \$111,727,223. Of this amount, \$5,081,810 is not in spendable form or is required to remain intact. The remaining \$106,645,413 or approximately 95.45% 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 2015, the Town's total fund balance for the general fund was \$42,790,971, an increase of \$5,793,100 or 15.66% from the prior year. The unassigned fund balance for the general fund was \$21,948,175.
- The Town's total bonded debt (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums) was \$169,155,000 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 .85% 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, 2015

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, 2015

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 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, 2015

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 \$118,177,599 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, 2015 and 2014

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Assets				
Current assets	\$ 191,344,457	\$ 188,674,220	\$ 2,128,220	\$ 2,446,872
Capital assets	259,873,514	248,846,923	6,254,914	6,418,052
Other noncurrent assets	43,528,053	34,198,165		
Total Assets	494,746,024	471,719,308	8,383,134	8,864,924
Deferred outflow of resources	4,596,479	316,267	-0-	-0-
Liabilities				
Current liabilities	39,729,512	36,182,421	149,281	95,907
Noncurrent liabilities	257,368,357	253,288,816	299,819	286,918
Total Liabilities	297,097,869	289,471,237	449,100	382,825
Deferred inflows of resources	89,388,569	84,267,608	2,612,500	2,687,500
Net Position				
Net investment in capital assets	120,090,370	112,003,262	6,254,914	6,418,052
Restricted	3,937,734	4,934,315		
Unrestricted	(11,172,039)	(18,640,847)	(933,380)	(623,453)
Total Net Position	\$ 112,856,065	\$ 98,296,730	\$ 5,321,534	\$ 5,794,599

Total assets and deferred outflows of resources of the Town's governmental activities, as of December 31, 2015 were \$499,342,503, an increase of \$27,306,928. Total liabilities and deferred inflows of resources as of December 31, 2015 were \$386,486,438, an increase of \$12,747,593. This results in a total net position balance of \$112,856,065 for 2015, an increase of \$14,816,752. Of the Town's net position balance, \$120,090,370 was the net investment in capital assets, while \$3,937,734 was restricted by statute or other specific purposes leaving an \$11,172,039 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 2015 by \$5,477,771 bringing the unfunded liability at year end to \$56,970,112. 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

By far the largest portion of the Town's governmental activities net position, \$120,090,370, 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, the proportionate share of the net pension liability, 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, 2015, were \$8,383,134, a decrease of \$481,790. Total liabilities and deferred inflows of resources as of December 31, 2015 were \$3,061,600, a decrease of \$8,725. This results in a total net position balance of \$5,321,534 for 2015, a decrease of \$473,065. Of the business-type activities net position balance, \$6,254,914 was the net investment in capital assets and the remaining \$933,380 is the unrestricted deficit net position.

Changes in Net Position

For the years ended December 31, 2015 and 2014

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Program Revenue				
Charges for services	\$ 59,671,910	\$ 61,386,062	\$ 75,000	\$ 82,280
Operating grants and contributions	17,474,412	15,387,974		
Capital grants and contributions	12,157,099	5,724,141		
Total Program Revenues	<u>89,303,421</u>	<u>82,498,177</u>	<u>75,000</u>	<u>82,280</u>
General Revenues				
Real property taxes	77,400,311	74,071,698		
Other real property tax items	2,330,973	4,259,275		
Non-property tax items	4,381,914	4,005,885		
Interest earnings	737,397	661,447	2,945	2,888
Gain on sale of capital assets	69,238	1,156,117		
Mortgage tax	4,134,214	3,356,147		
State aid	1,115,651	1,115,651		
Other	536,319	223,455	262,261	270,345
Total General Revenues	<u>90,706,017</u>	<u>88,849,675</u>	<u>265,206</u>	<u>273,233</u>
Total Revenues	<u>180,009,438</u>	<u>171,347,852</u>	<u>340,206</u>	<u>355,513</u>

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Position (continued)

For the years ended December 31, 2015 and 2014

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Program Expenses				
General government support	23,565,707	25,420,609		
Public safety	22,486,467	21,974,625		
Health	5,358,620	5,201,597		
Transportation	25,269,997	24,230,654		
Economic assistance and opportunity	366,592	642,463		
Culture and recreation	18,911,860	18,396,750		
Home and community services	63,945,277	64,136,705	813,271	739,825
Interest on debt	5,288,166	5,321,486		
Total Program Expenses	165,192,686	165,324,889	813,271	739,825
Change in net position	14,816,752	6,022,963	(473,065)	(384,312)
Net position, beginning of year	98,296,730	92,273,767	5,794,599	6,178,911
Cumulative effect of change in accounting principle *	(257,417)			
Net position, beginning of year, as restated	98,039,313	92,273,767	5,794,599	6,178,911
Net position, end of year	\$ 112,856,065	\$ 98,296,730	\$ 5,321,534	\$ 5,794,599

* The Town's financial statements presented herein are for the year ended December 31, 2015 and the cumulative effect of applying GASB Statement No. 68, "Accounting and Reporting for Pensions" and GASB Statement No. 71, "Pension Transition Guidance for Contributions Made Subsequent to the Measurement Date" is shown as an adjustment to the beginning net position of fiscal year 2015. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to beginning net position of fiscal year 2015. The condensed financial information for the year ended December 31, 2014 was not restated as the information was not available.

Net position from all governmental activities, increased by \$14,816,752 in the current year. Key elements of the governmental activities are:

- Overall program revenues increased by \$6,805,244 from the prior year.
- Charges for services decreased from the prior year in the amount of \$1,714,152, a result of less insurance recoveries (\$816,201), less licenses and permit fees recognized (\$297,134), a decrease in the Long Island Green Homes activity (\$1,579,991), and other home and community services charges (\$253,883) which was offset by the increase in parks and recreation fees, rental income from Town owned property, and safety inspection fees in the amounts of \$465,655, \$244,736 and \$575,278, respectively.
- Operating grants increased by \$2,086,438 from the prior year, primarily due to the Town receiving the New York State's portion of the emergency disaster assistance program (\$1,361,758) in the current year for costs related to Hurricane Sandy and the blizzard of 2013, and additional housing assistance funding (\$373,080).
- Capital grants increased by \$6,432,958 compared to the prior year, primarily related to the timing of certain projects and the related reimbursements. During 2015, the Town recognized an Empire State Development (\$3,355,150) and Jumpstart grant (\$4,157,317) for the costs related to the intermodal park development and road construction project, which were offset by decreases in amounts recognized for the Wyandanch Plaza grant (\$387,477) and the multi-modal grant (\$659,618).

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- General revenues increased by \$1,856,342 from the prior year, primarily due to an increase in real property taxes (excluding special assessments) and mortgage tax in the amounts of \$3,328,613 and \$778,067, respectively, which was offset by the decrease in other real property tax items of \$1,928,302, a result of the Town phasing out the commercial assessed valuation tax and the decrease in the gain from the sale of an asset in the amount of \$1,086,879.
- Overall program expenses decreased by \$132,203 from the prior year.
- General government support expenses decreased from the prior year by \$1,854,902, primarily a result of a decrease in general liability claims which were incurred in the current year (\$1,241,550) and a reduction of employee benefits allocated to this function (\$540,321).
- Transportation expenses increased from the prior year by \$1,039,343, a result of an increase in snow removal expenditures due to the significant snow fall in 2015 compared to the prior year (\$507,833), other highway operating costs (\$237,124) and an increase in depreciation expense allocated to this function (\$277,365) based on new transportation assets.
- There was an increase of \$515,110 in culture and recreation expenses compared to the prior year, a result of general inflationary increases in the overall operating costs and salaries (\$315,537), as well an increase in depreciation expense allocated to this function (\$243,280) based on new transportation assets.
- Public safety expenses increased by \$511,842 compared to prior year, primarily due to an increase in the costs to operate the fire protection districts and ambulance district (\$528,056).

Net position from the business-type activities decreased by \$473,065 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, 2015 and 2014

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
General government support	\$ 23,565,707	\$ 25,420,609	\$ 3,020,403	\$ 3,868,587	\$ (20,545,304)	\$ (21,552,022)
Public safety	22,486,467	21,974,625	3,693,893	3,101,303	(18,792,574)	(18,873,322)
Health	5,358,620	5,201,597	1,806,999	1,669,576	(3,551,621)	(3,532,021)
Transportation	25,269,997	24,230,654	10,886,033	3,729,588	(14,383,964)	(20,501,066)
Economic assistance and opportunity	366,592	642,463	34,337	42,513	(332,255)	(599,950)
Culture and recreation	18,911,860	18,396,750	6,669,721	5,694,399	(12,242,139)	(12,702,351)
Home and community services	63,945,277	64,136,705	63,192,035	64,392,311	(753,242)	255,606
Interest on debt	5,288,166	5,321,486			(5,288,166)	(5,321,486)
	<u>\$ 165,192,686</u>	<u>\$ 165,324,889</u>	<u>\$ 89,303,421</u>	<u>\$ 82,498,277</u>	<u>\$ (75,889,265)</u>	<u>\$ (82,826,612)</u>

The total cost of all governmental activities this year was \$165,192,686. The net cost of these services after being subsidized by programs revenues of \$89,303,421 was \$75,889,265.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

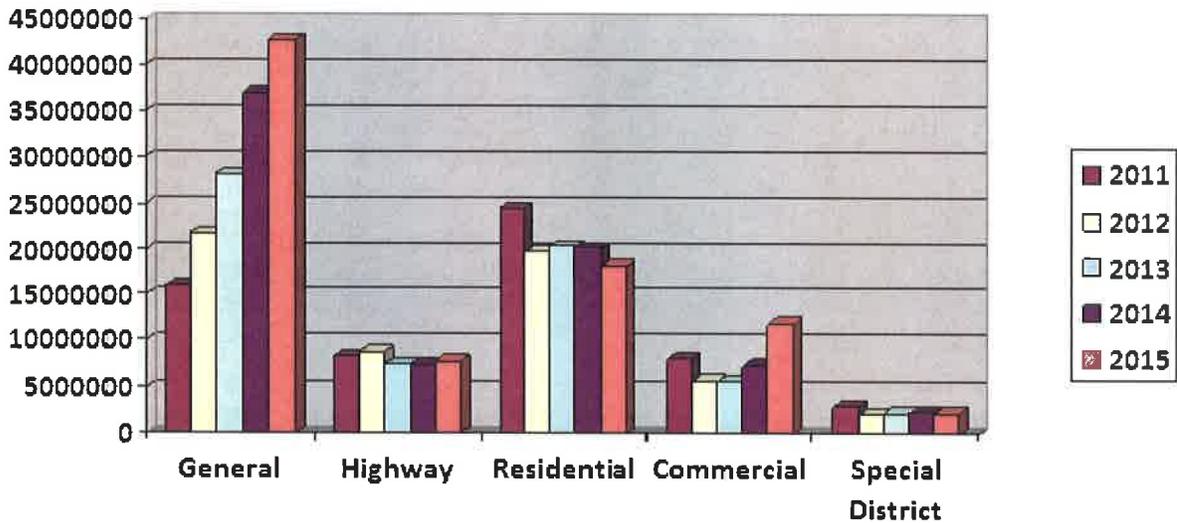
Governmental Funds

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, 2015, the Town's governmental funds reported total ending fund balances of \$111,727,223 an increase of \$7,487,989 in comparison with the prior year. The category breakdown is as follows:

- **Nonspendable fund balance** - \$5,081,810 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$43,255,476 (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** - \$41,816,160 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$21,573,777 (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 2011 through 2015.



The Town began the year with an anticipated overall \$4,017,847 decrease resulting from the appropriation of fund balance for the 2015 budget. Total revenues increased from the prior year by \$11,898,710 primarily a result of the increase in miscellaneous local sources in the amount of \$5,677,303 and state aid in the amount of \$4,860,021. The increase in miscellaneous local sources was a result of the Town recognizing grants from Suffolk County in the amount of \$4,157,317 for the intermodal park development and station plaza construction project costs that were incurred in 2015 and the residential and commercial garbage districts collecting the excess funds from an overfunded reserve account for a general obligation bond in the aggregate amount of \$1,276,667. The increase in state aid is a result of the Town recognizing funding from the Empire State Development grant in the amount of \$3,968,673 for the intermodal park development and station plaza construction project, and the state portion of the emergency disaster assistance grant for costs related to Hurricane Sandy and the blizzard of 2013. In addition, the Town's real property tax collections and departmental income increased by \$1,314,863 and \$1,247,653, respectively, which was offset by a decrease in the other real property tax items of \$1,928,302 when compared to prior year.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Overall, governmental expenditures increased by \$14,692,083 from the prior year. This is primarily due to higher capital outlay costs in the amount of \$11,606,650, a result of the timing of ongoing capital projects. In 2015, the Town moved forward with significant capital projects such as highway road improvements (\$2,268,520) and the intermodal park development and station plaza construction project (\$8,738,746), as noted above. In addition, the culture and recreation expenditures and debt service principal payments increased by \$1,162,182 and \$1,953,901, respectively, which were offset by a reduction in home and community services expenditures in the amount of \$1,614,949.

Other financing sources decreased by \$3,355,674 compared to prior year, primarily a result of lower proceeds from debt obligations in the amount of \$1,065,000 and a reduction in the proceeds from sale of capital assets and insurance recoveries in the amounts of \$1,347,605 and \$816,201, respectively when 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 \$42,790,971, increasing \$5,793,100 or 15.66% from the prior year. Of this amount, \$2,504,000 is not in spendable form (property held for resale) and \$18,285,351 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 \$22,001,620, \$53,445 has been assigned for purchase orders by the Town Comptroller and \$21,948,175 is shown as unassigned fund balance.

The key elements of the fund balance increase of \$5,793,100 are as follows:

- Overall revenues exceeded the budgeted expectations by \$2,986,963, primarily due to interfund revenues which were over the budget by \$456,087, 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 \$581,914. Departmental income and use of money and property revenues exceeded budgeted expectations by \$561,768 and \$385,620, respectively, primarily due to park and recreation fees and the realization of higher than expected rental income from Town owned property. Miscellaneous local sources also exceeded budgeted expectations by \$441,667, a result of the Town receiving local grants that were not included in the budget.
- Actual revenues increased by \$1,621,335, which is related to the general fund's property tax increase in of \$533,988 or 1.55% compared to the prior year, an increase in non-property taxes items in the amount of \$376,029, a result of higher collections of franchise fees and income from the cleanup of abandoned homes in the Town, an increase in departmental income, primarily a result additional revenues from various programs offered in the parks and recreation department which had more attendance in the current year and an increase in rental of real property from collection of beach lease transfer fees.
- General government support expenditures were under budget in the amount of \$1,992,375, primarily due to unallocated insurance which was under budget by \$483,181 and cost savings specifically related to salaries, program operations and professional services in the assessor and central garage/central fuel departments in the amounts of \$289,525 and \$445,707, respectively. In addition, there was a general implementation of expenditure reductions providing additional savings of \$773,962.
- Actual general fund expenditures increased by \$1,164,313 primarily due to the increases in debt service payments (\$549,635), employee benefit costs (\$306,697), costs related to health (\$239,881) and culture and recreation (\$356,044) expenditures, which were offset by the decrease in general government support expenditures (\$212,912).
- Other financing sources (uses) exceeded budgeted expectations in the amount of \$498,121 due to operating transfers in exceeding budgeted expectations by \$378,008 and premiums on obligations being over budget by \$149,987.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Actual other financing sources (uses) decreased by \$3,544,459 due to less debt issued in the current year (\$1,790,000), a decrease in the insurance recoveries received (\$816,201), a significant sale of property which took place in the prior year which did not reoccur in the current year (\$1,484,270), which were offset by an increase in the amount of operating transfers in from other funds (\$328,426).

Residential Garbage District Fund

At the end of the current year, the total fund balance of the residential garbage district fund was \$18,119,689, decreasing \$2,004,202 or 9.96% from the prior year. Total fund balance is as follows: \$11,977 has been restricted for debt service, \$3,235,878 has been assigned by the Town Board for the subsequent year's budget, \$4,497 has been assigned for purchase orders by the Town Comptroller and \$14,867,337 is assigned for residential garbage district purposes.

The key elements of the fund balance decrease of \$2,004,202 are as follows:

- There was a budgeted use of prior year fund balance of \$4,015,971 as well as the prior year encumbrances carried forward in the amount of \$18,999.
- Total revenues exceeded budgeted expectations by \$583,780, a result of miscellaneous revenues and state and federal aid in the aggregate amount of \$1,316,429, that were recognized in the current year but not budgeted for, which was offset by departmental income and interest and earnings which were under budget by \$598,468 and \$134,181, respectively.
- Overall actual revenues decreased by \$3,664,760 compared to the prior year, which was a result of the Town decreasing the tax rate per parcel reducing tax collections by \$2,714,143, the phase out of the commercial assessed valuation tax, causing a decrease of \$1,830,415 in collections, which were offset by an increase state and federal aid in the amount of \$430,262, related to additional reimbursements from the emergency disaster assistance program and the recognition of miscellaneous revenues of \$587,139 for the collection of excess funds from an overfunded reserve account for a general obligation bond.
- Garbage improvement area expenditures were under budget by \$1,446,403, primarily due to lower professional and technical services costs than anticipated in the amount of \$1,140,231. There were additional savings from salary and related employee benefit costs and equipment purchases.
- Actual garbage improvement area expenditures were less than last year by \$1,798,437 mostly due to the reduction in the amount of Long Island Green Homes loans given in the current year in the amount of \$1,649,059.

Commercial Garbage District Fund

At the end of the current year, the total fund balance of the commercial garbage district fund was \$11,844,891 increasing \$4,671,126 or 65.11% from the prior year. Total fund balance is as follows: \$10,920 has been restricted for debt service and \$11,833,971 is assigned for commercial garbage district purposes.

The key elements of the fund balance increase of \$4,671,126 are as follows:

- Overall revenues were over budget by \$1,609,709 primarily a result of higher than anticipated refuse and garbage fees in the amount of \$327,691, recognition of the sale of refuse containers for \$350,500 and miscellaneous revenues of \$689,528 that were not budgeted for.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Commercial Garbage District Fund (continued)

- Actual revenues increased by \$2,410,920 due to the Town increasing the tax rate per parcel which increased tax collections by \$700,393, higher refuse and garbage fees collected in the amount of \$435,128, recognition of the sale of refuse containers in the amount of \$350,500 as well the recognition of miscellaneous revenues of \$689,528 for the collection of excess funds from an overfunded reserve account for a general obligation bond.
- Total expenditures were under budget by \$3,100,292 due to a surplus in the garbage improvement area expenditures in the amount of \$3,050,036, resulting from under realized professional and technical service fees (\$2,740,062) and salaries (\$197,212).
- Actual expenditures decreased from the prior year in the amount of \$751,301, a result of less professional and technical services fees incurred in the amount of \$417,691 and a reduction in the amount of debt service payments.

Highway Fund

At the end of the current year, the total fund balance of the highway fund was \$7,605,904, increasing \$437,579, or 6.10%, from the prior year. This balance of \$7,605,904 is as follows: \$2,121,834 has been restricted for debt service, \$1,713 has been assigned for purchase orders by the Town Comptroller and the remaining \$5,482,357 is assigned for highway purposes.

The key elements of the fund balance increase of \$437,579 are as follows:

- Total revenues exceeded budgeted expectations by \$245,422, a result of the Town receiving additional reimbursements for the emergency disaster assistance and consolidated local street and highway improvement programs in the amount of \$245,452.
- Actual revenues increased from the prior year by \$2,431,978, primarily due to an increase in property tax assessments in the amount of \$2,012,195, an increase state and federal aid in the amount of \$692,702, related to additional reimbursements from the emergency disaster assistance program, which was offset by the decrease in licenses and permits in the amount of \$297,134, a result of unclaimed permit deposits that were recognized for the first time in the prior year.
- Total expenditures were under budget by \$192,156 primarily due to lower costs for street maintenance than originally anticipated in the amount of \$142,392.
- Actual expenditures were higher than prior year by \$1,729,433, a result of the increase in debt service payments for general obligation bonds that were issued in 2013 and 2014 (\$1,003,113), the increase in snow removal expenditures due to the significant snow fall in 2015 compared to the prior year (\$507,833), as well as an overall increase in employee benefits costs (\$101,804).
- In the current year, premiums relating to the issuance of general obligation bonds were received in the amount of \$62,365, a decrease of \$176,211 from the prior year.

Capital Projects Fund

The fund balance decreased in the capital projects fund by \$4,018,457 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Capital Projects Fund (continued)

At the end of the current year, the capital projects fund had a total fund balance of \$20,320,390. Of this amount \$17,539,077 was restricted to specific capital project expenditures. The remaining balance of \$2,781,313 includes an amount of \$2,604,755 which is assigned for capital projects costs and outstanding amounts for purchases orders or contractual obligations in the amount of \$176,558.

Special Districts Fund

At the end of the current year, the total fund balance of the special districts fund was \$2,200,912, a decrease of \$62,617, or 2.77%, from the prior year. Of this amount, \$2,575,310 is not in spendable form (prepaid items) and the remaining net deficit of \$374,398 is reported as unassigned.

The key elements of the fund balance decrease of \$62,617 are as follows:

- 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 \$410,064 compared to the prior year.
- Total expenditures were under budget by \$76,430 due to higher fire protection district costs, particularly related to workers' compensation payments, than anticipated. Actual expenditures increased by \$528,026 compared to prior year, primarily a result of higher program operation costs for the fire protection districts (\$481,928) and the ambulance district (\$46,128).

Non-major Governmental Funds

The net change in fund balances was an increase of \$2,671,460.

- The part-town fund's fund balance was \$3,358,112 at December 31, 2015, which is an increase of \$2,802,042 from the prior year. Total revenues in the part-town fund of \$8,852,763 increased by \$926,788 from the prior year, a result of higher real property taxes assessed and safety inspection fees collected in the amounts of \$387,099 and \$575,278, respectively. Actual revenues exceeded budgeted expectations by \$738,477 relating to safety inspection fees. Overall, total expenditures were \$7,593,361 for 2015, an increase of \$980,043 from the prior year. The increase is attributable to higher debt service payments (\$611,557), a result of the 2013 general obligation bonds issued. In addition, there was an increase in professional and technical fees incurred in the current year of \$148,598. Actual expenditures exceeded the final budget by \$316,590. There was an operating transfer in from the capital projects fund in the amount of \$1,542,640, for unspent bond proceeds for the sewer expansion project.
- The total fund balance of the lighting district fund was \$870,899, an increase of \$225,689 from the prior year. Revenues and expenditures were consistent with the prior year. Actual revenues were in line with the budgeted expectations. Actual expenditures were under budget by \$135,103, primarily due to less utility costs than anticipated.
- The total fund balance of the other special revenue fund was \$959,557, an increase of \$298,772 from the prior year. Revenues increased by \$334,326, primarily related to a \$200,000 contribution from a developer related to a new development and the increase in collections of revenues related to the affordable housing program in the amount of \$90,000. Expenditures were consistent with the prior year.
- The total fund balance of the community development agency fund was \$1,297,709, a decrease of \$871,238 from the prior year, which is primarily a result of expenditures related to the Geiger Lake improvement project (\$755,368) which were funded in prior years with a guaranteed assistance contract loan.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

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, 2015 and 2014, the amount of the change and percentage change in relation to the prior year.

	2015	2014	\$ Change	% Change
Revenues (in Millions)				
Real property taxes	\$99.2	\$97.9	\$1.3	1.33%
Other real property tax items	2.3	4.3	-2.0	-46.51%
Non-property tax items	4.4	4.0	0.4	10.00%
Department income	32.6	31.3	1.3	4.15%
Use of money and property	3.0	2.7	0.3	11.11%
Licenses and permits	0.4	0.8	-0.4	-50.00%
Fines and forfeitures	1.5	1.3	0.2	15.38%
Sale of property and compensation for loss	0.5	0.1	0.4	400.00%
Interfund revenue	3.0	3.1	-0.1	-3.23%
Miscellaneous local sources	7.5	1.8	5.7	316.67%
State aid	13.7	8.8	4.9	55.68%
Federal aid	16.1	16.2	-0.1	-0.62%
Total Governmental Fund Revenues	\$184.2	\$172.3	\$11.9	6.91%
Expenses (in Millions)				
General government support	\$16.5	\$16.7	-\$0.2	-1.20%
Public safety	19.9	19.1	0.8	4.19%
Health	5.1	4.8	0.3	6.25%
Transportation	10.0	9.4	0.6	6.38%
Economic assistance and opportunity	0.3	0.3	0.0	0.00%
Culture and recreation	11.0	9.8	1.2	12.24%
Home and community services	61.5	63.1	-1.6	-2.54%
Employee benefits	19.1	18.8	0.3	1.60%
Capital outlay	26.5	14.9	11.6	77.85%
Debt Service:				
Principal	16.6	14.7	1.9	12.93%
Interest	5.5	5.7	-0.2	-3.51%
Bond issuance costs	0.2	0.2	0.0	0.00%
Total Governmental Fund Expenses	\$192.2	\$177.5	\$14.7	8.28%

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2015 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 other non-property tax items and other financing sources (debt proceeds) by \$100,000 and \$1,600,000, respectively. The original budget for the Town's expenditures and other financing uses (transfers in) increased by \$1,691,212 and \$8,788, respectively. The following are the main components of the increase in the Town's appropriations: increase in general government support (\$1,120,176), public safety (\$46,818), health (\$603,558), home and community services (\$398,041), employee benefits (\$166,001) and a decrease in the economic assistance and opportunity expenditures (\$351,358), culture and recreation (\$244,541) and debt service (\$47,483). 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.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

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, 2015 amounted to \$259,873,514 and \$6,254,914, respectively. The Town's capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges and the water system infrastructure.

In 2015, the Town of Babylon's major capital expenditures were as follows:

Various highway road improvements	\$ 6,648,040
Intermodal park development / road reconstruction	9,574,656
Reconstruction of Town buildings	2,367,302
Acquisition of machinery	2,515,570
Geiger Park improvements	1,730,543

Capital Assets at December 31, 2015 and 2014
 (Net of depreciation)

	Governmental Activities		Business-type Activities	
	2015	2014	2015	2014
Land	\$ 32,169,917	\$ 32,051,697	\$ 194,964	\$ 194,964
Construction in progress	30,847,321	27,299,354	-0-	74,580
Building and improvements	65,735,541	55,904,915	462,446	486,636
Machinery and equipment	10,263,178	9,070,544	10,738	15,308
Infrastructure	120,857,557	124,520,413	5,586,766	5,646,564
Totals	<u>\$ 259,873,514</u>	<u>\$ 248,846,923</u>	<u>\$ 6,254,914</u>	<u>\$ 6,418,052</u>

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 \$154,505,000 and long-term bond anticipation notes outstanding of \$14,650,000. The entire debt is backed by the full faith and credit of the Town. The Town also has \$2,641,000 outstanding in guaranteed assistance contract loans payable. All of the Town's debt is related to governmental activities.

Outstanding Debt

	Governmental Activities	
	2015	2014
General obligation bonds payable *	\$154,505,000	\$151,132,900
Bond anticipation notes	14,650,000	19,480,000
Guaranteed assistance contract loans payable	<u>2,641,000</u>	<u>2,935,000</u>
	<u>\$171,796,000</u>	<u>\$173,547,900</u>

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

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt (continued)

In 2015 the Town's total long-term debt decreased by approximately \$1,751,900 or 1.01% which is a net change in the debt retired and new borrowings.

In the second quarter of 2016, Standard and Poor's Corporation reaffirmed the Town's credit rating of AA+ and Moody's Investors Service, Inc. upgraded the Town's underlying rating from Aa2 to AA1.

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 \$1,441,930,310. The percentage of debt contracting exhausted at December 31, 2015 was 9.9% 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 2016 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 2016 budget lines.
- Revenues are subject to regional economic trends. The Town notes stabilization in mortgage tax revenue and interest earnings on deposited funds. As a result, the Town is expecting the general fund's fund balance to remain stable at the close of 2016.
- 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 2016 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, 2015

	Primary Government			Non-major Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 125,158,504	\$ 2,128,220	\$ 127,286,724	\$ 4,145,842
Cash with fiscal agent	3,869,234		3,869,234	
Accounts receivable, net of allowance and noncurrent portion	5,454,891		5,454,891	406,167
Taxes receivable	43,960,971		43,960,971	
Long Island Green Homes receivable, net of noncurrent portion	1,276,261		1,276,261	
Due from other governments, net of noncurrent portion	7,343,114		7,343,114	
Prepaid items	3,710,517		3,710,517	19,987
Restricted cash	255,183		255,183	
Property held for resale	315,782		315,782	
Total Current Assets	<u>191,344,457</u>	<u>2,128,220</u>	<u>193,472,677</u>	<u>4,571,996</u>
Noncurrent Assets:				
Accounts receivable, noncurrent portion	7,346,611		7,346,611	
Long Island Green Homes receivable, noncurrent portion	7,766,954		7,766,954	
Due from other governments, noncurrent portion	10,081,584		10,081,584	
Property held for resale	18,332,904		18,332,904	
Non-depreciable capital assets	63,017,238	194,964	63,212,202	539,200
Capital assets, net of accumulated depreciation	196,856,276	6,059,950	202,916,226	
Total Noncurrent Assets	<u>303,401,567</u>	<u>6,254,914</u>	<u>309,656,481</u>	<u>539,200</u>
Total Assets	<u>494,746,024</u>	<u>8,383,134</u>	<u>503,129,158</u>	<u>5,111,196</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charge on refunding	176,962		176,962	
Pension	4,419,517		4,419,517	52,084
Total Deferred Outflow of Resources	<u>4,596,479</u>	<u>-0-</u>	<u>4,596,479</u>	<u>52,084</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	12,424,587	149,281	12,573,868	20,610
Accrued interest payable	1,819,596		1,819,596	
Due to other governments	442,222		442,222	2,118,238
Unearned revenues	445,072		445,072	
Noncurrent liabilities due within one year:				
Bond anticipation notes payable	450,000		450,000	
Bonds payable	17,873,976		17,873,976	
Guaranteed assistance contract loans payable	316,000		316,000	
Due to employees' retirement system	265,286		265,286	
Compensated absences	3,170,000		3,170,000	
Claims and judgments payable	569,170		569,170	
Estimated liability for landfill closure and postclosure care costs	1,953,603		1,953,603	
Total Current Liabilities	<u>39,729,512</u>	<u>149,281</u>	<u>39,878,793</u>	<u>2,138,848</u>
Noncurrent Liabilities:				
Unearned revenues	1,534,705		1,534,705	
Due to other governments	7,346,610		7,346,610	
Bond anticipation notes payable	14,200,000		14,200,000	
Bonds payable	138,018,167		138,018,167	
Guaranteed assistance contract loans payable	2,325,000		2,325,000	
Due to employees' retirement system	1,623,030		1,623,030	
Compensated absences	2,041,135		2,041,135	58,461
Claims and judgments payable	8,221,345		8,221,345	
Estimated liability for landfill closure and postclosure care costs	22,652,987		22,652,987	
Net pension liability - proportionate share	2,735,085		2,735,085	54,308
Other postemployment benefits payable	56,670,293	299,819	56,970,112	533,862
Total Noncurrent Liabilities	<u>257,368,357</u>	<u>299,819</u>	<u>257,668,176</u>	<u>646,631</u>
Total Liabilities	<u>297,097,869</u>	<u>449,100</u>	<u>297,546,969</u>	<u>2,785,479</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	89,388,569		89,388,569	
Deferred service concession arrangement receipt		2,612,500	2,612,500	
Total Deferred Inflows of Resources	<u>89,388,569</u>	<u>2,612,500</u>	<u>92,001,069</u>	<u>-0-</u>
NET POSITION				
Net investment in capital assets	120,090,370	6,254,914	126,345,284	539,200
Restricted - Public safety	20,782		20,782	
Health	111,982		111,982	
Transportation	200,000		200,000	
Economic assistance and opportunity	1,630		1,630	
Culture and recreation	237,888		237,888	
Home and community services	3,365,452		3,365,452	
Unrestricted	(11,172,039)	(933,380)	(12,105,419)	1,838,601
Total Net Position	<u>\$ 112,856,065</u>	<u>\$ 5,321,534</u>	<u>\$ 118,177,599</u>	<u>\$ 2,377,801</u>

See notes to the financial statements.

TOWN OF BABYLON
 GOVERNMENT-WIDE FINANCIAL STATEMENT
 STATEMENT OF ACTIVITIES
 Year Ended December 31, 2015

Function/ Program	Expenses	Program Revenues			Total Program Revenues	Net (Expenses) Revenues and Changes in Net Position			Non-major Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government support	\$ 23,565,707	\$ 2,907,178	\$ 53,225	\$ 60,000	\$ 3,020,403	\$ (20,545,304)		\$ (20,545,304)	
Public safety	22,486,467	3,636,072	16,847	40,974	3,693,893	(18,792,574)		(18,792,574)	
Health	5,358,620	725,244	981,756	99,999	1,806,999	(3,551,621)		(3,551,621)	
Transportation	25,269,997	250,540	1,006,224	9,629,269	10,886,033	(14,383,964)		(14,383,964)	
Economic assistance and opportunity	366,592	375	33,962		34,337	(332,255)		(332,255)	
Culture and recreation	18,911,860	3,954,198	541,285	2,174,238	6,669,721	(12,242,139)		(12,242,139)	
Home and community services	63,945,277	48,198,303	14,841,113	152,619	63,192,035	(753,242)		(753,242)	
Interest on debt	5,288,166					(5,288,166)		(5,288,166)	
Total Governmental Activities	165,192,686	59,671,910	17,474,412	12,157,099	89,303,421	(75,889,265)	\$ -0-	(75,889,265)	
Business-type Activities:									
Water	813,271	75,000			75,000		(738,271)	(738,271)	
Total Business-type Activities	813,271	75,000	-0-	-0-	75,000	-0-	(738,271)	(738,271)	
Total Primary Government	\$ 166,005,957	\$ 59,746,910	\$ 17,474,412	\$ 12,157,099	\$ 89,378,421	\$ (75,889,265)	\$ (738,271)	\$ (76,627,536)	
NON-MAJOR COMPONENT UNITS:									
Economic assistance and opportunity	\$ 1,103,740	\$ 1,461,160							\$ 357,420
Total Component Units	\$ 1,103,740	\$ 1,461,160							\$ 357,420
GENERAL REVENUES:									
Real property taxes						\$ 77,400,311		\$ 77,400,311	
Other real property tax items						2,330,973		2,330,973	
Non-property tax items						4,381,914		4,381,914	
Interest earnings						737,397	\$ 2,945	740,342	\$ 5,801
Gain on sale of capital assets						69,238		69,238	
Mortgage tax						4,134,214		4,134,214	
State aid						1,115,651		1,115,651	
Other						536,319	262,261	798,580	
Total General Revenues						90,706,017	265,206	90,971,223	5,801
Change in Net Position						14,816,752	(473,065)	14,343,687	363,221
Net Position at Beginning of Year, as reported						98,296,730	5,794,599	104,091,329	2,008,389
Cumulative Effect of Change in Accounting Principle						(257,417)	-0-	(257,417)	6,191
Net Position at Beginning of Year, as Restated						98,039,313	5,794,599	103,833,912	2,014,580
Net Position at End of Year						\$ 112,856,065	\$ 5,321,534	\$ 118,177,599	\$ 2,377,801

TOWN OF BABYLON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

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
ASSETS									
Cash and cash equivalents	\$ 38,537,248	\$ 26,282,608	\$ 13,783,397	\$ 14,844,735	\$ 13,606,686	\$ 7,317,456	\$ 114,372,130	\$ 10,786,374	\$ 125,158,504
Cash with fiscal agent	1,707,947	11,977	10,920	2,121,834			3,852,678	16,556	3,869,234
Accounts receivable	2,122,662	643,155	2,059,997	407			4,826,221	7,975,281	12,801,502
Taxes receivable	19,520,195			11,659,068		9,373,404	40,552,667	3,408,304	43,960,971
Long Island Green Homes receivable		9,043,215					9,043,215		9,043,215
Due from other funds	238,132		482	338,438			577,052	546	577,598
Due from other governments	2,331,099	13,761		79,073	13,101,877		15,525,810	1,898,888	17,424,698
Prepaid items						2,575,310	2,575,310	2,500	2,577,810
Restricted cash							-0-	255,183	255,183
Property held for resale	18,332,904						18,332,904	315,782	18,648,686
Total Assets	<u>\$ 82,790,187</u>	<u>\$ 35,994,716</u>	<u>\$ 15,854,796</u>	<u>\$ 29,043,555</u>	<u>\$ 26,708,563</u>	<u>\$ 19,266,170</u>	<u>\$ 209,657,987</u>	<u>\$ 24,659,414</u>	<u>\$ 234,317,401</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ 1,976,172	\$ 1,525,627	\$ 908,125	\$ 449,121	\$ 5,910,459	\$ 191,357	\$ 10,960,861	\$ 1,045,334	\$ 12,006,195
Due to other funds					338,438		338,438	239,160	577,598
Due to other governments	46,323				139,276		185,599	7,603,233	7,788,832
Unearned revenue	1,601,646	178,131					1,779,777	200,000	1,979,777
Liabilities payable from restricted cash							-0-	255,183	255,183
Total Liabilities	<u>3,624,141</u>	<u>1,703,758</u>	<u>908,125</u>	<u>449,121</u>	<u>6,388,173</u>	<u>191,357</u>	<u>13,264,675</u>	<u>9,342,910</u>	<u>22,607,585</u>
DEFERRED INFLOWS OF RESOURCES									
Unearned revenue- property taxes	35,140,048	7,128,054	3,101,780	20,988,530		16,873,901	83,232,313	6,156,256	89,388,569
Unavailable revenue	1,235,027	9,043,215					10,278,242	315,782	10,594,024
Total Deferred Inflow of Resources	<u>36,375,075</u>	<u>16,171,269</u>	<u>3,101,780</u>	<u>20,988,530</u>	<u>-0-</u>	<u>16,873,901</u>	<u>93,510,555</u>	<u>6,472,038</u>	<u>99,982,593</u>
FUND BALANCES									
Nonspendable	2,504,000					2,575,310	5,079,310	2,500	5,081,810
Restricted	18,285,351	11,977	10,920	2,121,834	17,539,077		37,969,159	5,286,317	43,255,476
Assigned	53,445	18,107,712	11,833,971	5,484,070	2,781,313		38,260,511	3,555,649	41,816,160
Unassigned	21,948,175					(374,398)	21,573,777		21,573,777
Total Fund Balances	<u>42,790,971</u>	<u>18,119,689</u>	<u>11,844,891</u>	<u>7,605,904</u>	<u>20,320,390</u>	<u>2,200,912</u>	<u>102,882,757</u>	<u>8,844,466</u>	<u>111,727,223</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 82,790,187</u>	<u>\$ 35,994,716</u>	<u>\$ 15,854,796</u>	<u>\$ 29,043,555</u>	<u>\$ 26,708,563</u>	<u>\$ 19,266,170</u>	<u>\$ 209,657,987</u>	<u>\$ 24,659,414</u>	<u>\$ 234,317,401</u>

TOWN OF BABYLON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total Fund Balance - Governmental Funds \$ 111,727,223

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	\$ 63,017,238	
Capital assets - depreciable	571,592,793	
Accumulated depreciation	<u>(374,736,517)</u>	
		259,873,514

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. 1,132,707

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	9,043,215	
Due from other governments	1,235,027	
Assets held for resale	<u>315,782</u>	
		10,594,024

Deferred outflows of resources are included in the Statement of Net Position. 4,596,479

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	(14,650,000)	
Bonds payable, inclusive of related premiums	(155,892,143)	
Guaranteed assistance contract loans payable	(2,641,000)	
Due to employees' retirement system	(1,888,316)	
Compensated absences	(5,211,135)	
Claims and judgments payable	(8,790,515)	
Estimated liability for landfill closure and postclosure care costs	(24,606,590)	
Net pension liability - proportionate share	(2,735,085)	
Other postemployment benefits payable	<u>(56,670,293)</u>	
		(273,085,077)

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. (1,982,805)

Net Position of Governmental Activities \$ 112,856,065

TOWN OF BABYLON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended December 31, 2015

	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
REVENUES									
Real property taxes	\$ 34,875,975	\$ 15,031,662	\$ 6,795,807	\$ 19,979,109		\$ 16,374,253	\$ 93,056,806	\$ 6,170,974	\$ 99,227,780
Other real property tax items	1,056,898			583,146		509,209	2,149,253	181,720	2,330,973
Non-property tax items	4,381,914						4,381,914		4,381,914
Departmental income	3,436,768	6,857,617	17,854,846				28,149,231	4,403,536	32,552,767
Use of money and property	2,535,620	365,819	9,153	8,890	\$ 72,327	1,725	2,993,534	8,171	3,001,705
Licenses and permits	226,308			250,540			476,848		476,848
Fines and forfeitures	1,466,324						1,466,324		1,466,324
Sale of property and compensation for loss	6,645		420,600		70,500		497,745		497,745
Interfund revenue	2,956,087						2,956,087		2,956,087
Miscellaneous local sources	741,667	587,139	689,528	35,997	4,280,606		6,334,937	1,138,038	7,472,975
State aid	4,165,207	346,680	27,444	1,717,513	6,036,518	6,175	12,299,537	1,407,552	13,707,089
Federal aid	760,895	382,610	220,393	339,504	636,312		2,339,714	13,790,662	16,130,376
Total Revenues	<u>56,610,308</u>	<u>23,571,527</u>	<u>26,017,771</u>	<u>22,914,699</u>	<u>11,096,263</u>	<u>16,891,362</u>	<u>157,101,930</u>	<u>27,100,653</u>	<u>184,202,583</u>
EXPENDITURES									
Current:									
General government support	16,109,334						16,109,334	358,486	16,467,820
Public safety	1,603,738						17,047,190	2,833,190	19,880,380
Health	2,753,283						4,263,810	849,942	5,113,752
Transportation				8,289,838			8,289,838	1,804,145	10,093,983
Economic assistance and opportunity	235,443						235,443	34,894	270,337
Culture and recreation	10,139,010						10,139,010	811,202	10,950,212
Home and community services	1,387,859	24,633,693	20,395,262				46,416,814	15,102,415	61,519,229
Employee benefits	11,742,611	409,876	467,327	3,513,562			16,133,376	3,015,472	19,148,848
Capital Outlay					26,497,818		26,497,818		26,497,818
Debt Service:									
Principal	6,818,588	467,374	423,951	8,151,155			15,861,068	785,834	16,646,902
Interest	2,444,536	65,212	60,641	2,567,059			5,137,448	317,625	5,455,073
Bond issuance costs	127,139	159	200	26,541			154,039		154,039
Total Expenditures	<u>53,361,541</u>	<u>25,576,314</u>	<u>21,347,381</u>	<u>22,548,155</u>	<u>26,497,818</u>	<u>16,953,979</u>	<u>166,285,188</u>	<u>25,913,205</u>	<u>192,198,393</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,248,767</u>	<u>(2,004,787)</u>	<u>4,670,390</u>	<u>366,544</u>	<u>(15,401,555)</u>	<u>(62,617)</u>	<u>(9,183,258)</u>	<u>1,187,448</u>	<u>(7,995,810)</u>
OTHER FINANCING SOURCES (USES)									
Principal amount of bond anticipation note					7,865,000		7,865,000		7,865,000
Principal amount of bond proceeds	1,600,000				5,430,000		7,030,000		7,030,000
Premium on obligations	349,987	585	736	62,365			413,673		413,673
Operating transfers in	428,008			8,670			504,094	1,542,640	2,046,734
Operating transfers out	(8,788)					(1,979,318)	(1,988,106)	(58,628)	(2,046,734)
Sale of capital assets	138,045						138,045		138,045
Insurance recovery	37,081						37,081		37,081
Total Other Financing Sources (Uses)	<u>2,544,333</u>	<u>585</u>	<u>736</u>	<u>71,035</u>	<u>11,383,098</u>	<u>-0-</u>	<u>13,999,787</u>	<u>1,484,012</u>	<u>15,483,799</u>
Net Change in Fund Balances	5,793,100	(2,004,202)	4,671,126	437,579	(4,018,457)	(62,617)	4,816,529	2,671,460	7,487,989
Fund Balances at Beginning of Year	36,997,871	20,123,891	7,173,765	7,168,325	24,338,847	2,263,529	98,066,228	6,173,006	104,239,234
Fund Balances at End of Year	<u>\$ 42,790,971</u>	<u>\$ 18,119,689</u>	<u>\$ 11,844,891</u>	<u>\$ 7,605,904</u>	<u>\$ 20,320,390</u>	<u>\$ 2,200,912</u>	<u>\$ 102,882,757</u>	<u>\$ 8,844,466</u>	<u>\$ 111,727,223</u>

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, 2015

Net Change in Fund Balance \$ 7,487,989

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	\$ 28,272,789	
Depreciation expense	<u>(16,991,955)</u>	11,280,834

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations, disposals) is to decrease net position. (254,243)

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. (1,004)

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. (617,416)

Recognition of installment sale in the governmental fund statements that was included in the Statement of Activities in prior years. (420,600)

Net change in deferred outflows of resources not reported in the governmental fund statements:

Amortization of deferred charges on refundings	(139,305)	
Pension related amounts	<u>1,018,387</u>	879,082

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	(7,865,000)	
Repayment of bond anticipation note	655,000	
Bonds issued	(7,030,000)	
Repayment of bond principal	15,697,900	
Premiums received	(182,497)	
Amortization of bond premiums	416,088	
Repayment of guarantee assistance contract loans	294,000	
Employees' retirement system	681,241	
Compensated absences	3,803	
Claims and judgments	(528,860)	
Estimated liability for landfill closure and postclosure care costs	(826,053)	
Net pension liability - proportionate share	923,462	
Other postemployment benefits payable	<u>(5,464,870)</u>	(3,225,786)

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. (148,895)

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. (163,209)

Change in Net Position of Governmental Activities \$ 14,816,752

TOWN OF BABYLON
EAST FARMINGDALE WATER DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
December 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents \$ 2,128,220

Noncurrent Assets:

Non-depreciable capital assets 194,964

Capital assets, net of accumulated depreciation 6,059,950

Total Noncurrent Assets 6,254,914

Total Assets 8,383,134

LIABILITIES

Current Liabilities:

Accounts payable 149,281

Total Current Liabilities 149,281

Noncurrent Liabilities:

Other postemployment benefits payable 299,819

Total Liabilities 449,100

DEFERRED INFLOW OF RESOURCES

Deferred service concession arrangement receipt 2,612,500

Total Deferred Inflow of Resources 2,612,500

NET POSITION

Net investment in capital assets 6,254,914

Unrestricted (933,380)

Total Net Position \$ 5,321,534

TOWN OF BABYLON
EAST FARMINGDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND
Year Ended December 31, 2015

OPERATING REVENUES

Rental income from water plant	\$ 75,000
Total Operating Revenues	<u>75,000</u>

OPERATING EXPENSES - HOME AND COMMUNITY

Retiree benefits	162,380
Management and administration fees	486,451
Depreciation	163,138
Other	1,302
Total Operating Expenses	<u>813,271</u>
Loss from Operations	<u>(738,271)</u>

NON-OPERATING REVENUE

Rental income from cell tower rentals	262,261
Interest income	2,945
Total Non-Operating Revenue	<u>265,206</u>

Change in Net Position	(473,065)
Net Position - Beginning of Year	<u>5,794,599</u>
Net Position - End of Year	<u><u>\$ 5,321,534</u></u>

TOWN OF BABYLON
EAST FARMINGDALE WATER DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash paid to third party management and others	\$ (434,379)
Cash paid on behalf of retirees	(149,479)
Net Cash Used for Operating Activities	<u>(583,858)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Rental income from cell towers	262,261
Interest income	2,945
Net Cash Provided by Investing Activities	<u>265,206</u>

Net decrease in cash and cash equivalents (318,652)

Cash and cash equivalents at January 1, 2015 2,446,872

Cash and Cash Equivalents at December 31, 2015 \$ 2,128,220

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

Loss from operations	\$ (738,271)
Adjustments to reconcile loss from operations to net cash used for operating activities:	
Depreciation expense	163,138
Increase (decrease) in:	
Accounts payable	53,374
Deferred service concession arrangement receipts	(75,000)
Other postemployment benefits payable	12,901
Net Cash Used for Operating Activities	<u><u>\$ (583,858)</u></u>

TOWN OF BABYLON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2015

ASSETS

Cash

\$ 38,830,947

Total Assets

\$ 38,830,947

LIABILITIES

Due to school districts

\$ 33,103,036

Due to fire districts

3,092,457

Due to other Counties for tuition tax

1,803,575

Agency fund liabilities

831,879

Total Liabilities

\$ 38,830,947

NOTES TO FINANCIAL STATEMENTS

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015

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 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, 2015

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 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, 2015

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, committed or assigned to expenditures for specified purposes other than debt service or capital projects.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015

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.

The Town has presented the following fiduciary funds:

Agency Funds – are used to account for resources held as an agent for parties outside the government. Agency 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 transactions 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, proportionate share of the net pension liability 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, 2015

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, a 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 as of December 31, 2015.

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, 2015 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 1st 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 2025.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, including amounts due from federal, state, and other local governments, are reported as current or noncurrent based on the expected timing of repayment. The noncurrent accounts receivable and amounts due from other governments consists of federal rehabilitation mortgages receivable and other miscellaneous grants 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

Payments to special districts in the Town for the remittances of 2016 real property taxes collected reflect amounts applicable to future accounting periods and therefore are reported as prepaid expenses in both the government-wide and fund financial statements. In addition, the government-wide financial statements include amounts paid in advance for retirement costs.

In the 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 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	3-20 years
Infrastructure	10-50 years

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 2016.

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 \$177,000 for a deferred charge on refunding bonds and \$4,420,000 for pension related activities 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. The pension plan deferred outflow represents the effect of the net change in the Town's proportion of the collective net pension liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. This amount also includes the Town's contributions to the pension system subsequent to the measurement date.

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 2016 real estate taxes of approximately \$89,389,000 and unavailable revenues of approximately \$10,594,000 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, 2015

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 \$2,613,000 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, the proportionate share of the net pension liability, 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, 2015

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 1st and are recognized as revenue January 1st 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 1st and are due in two installments without penalty, 50% on January 10th and 50% on May 31st. Penalties are imposed thereafter at the rate of 1% per month on delinquent taxes until May 31st, 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, 2015

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. In addition, the Town offers medical coverage through HIP Health Plan of New York (HIP).

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 absences liabilities 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2015

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, 2015, including GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment to GASB 68*. The implementation of these Statements requires the Town to report as a liability its portion of the collective net pension liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Town to report a deferred outflow for the effect of the net change in the Town's proportion of the collective net pension liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also, included as a deferred outflow, is the Town's contribution to the pension system subsequent to the measurement date. See Note 5 for the financial statement impact of implementation of the 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 1st.
- b) On or before September 30th (October 30th 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 20th, 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 did not exceed the 2% property tax cap for 2015.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

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
Fund Balances:								
Nonspendable:								
Property held of resale	\$ 2,504,000							\$ 2,504,000
Prepaid items						\$ 2,575,310	\$ 2,500	2,577,810
Total Nonspendable	2,504,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	2,575,310	2,500	5,081,810
Restricted for:								
Debt service	2,456,447	11,977	10,920	2,121,834			1,199,196	5,800,374
Property held of resale	15,828,904							15,828,904
Capital projects					17,539,077			17,539,077
Grantors and donors restrictions							3,749,654	3,749,654
Guaranteed assistance contract							337,467	337,467
Total Restricted	18,285,351	11,977	10,920	2,121,834	17,539,077	-0-	5,286,317	43,255,476
Assigned to:								
Subsequent year's budget		3,235,878						3,235,878
Capital projects					2,604,755			2,604,755
Purchases on order or contractual obligations	53,445	4,497		1,713	176,558		9,684	245,897
Special revenue funds		14,867,337	11,833,971	5,482,357			3,545,965	35,729,630
Total Assigned	53,445	18,107,712	11,833,971	5,484,070	2,781,313	-0-	3,555,649	41,816,160
Unassigned, reported in								
General Fund	21,948,175							21,948,175
Special District Fund						(374,398)		(374,398)
Total Unassigned	21,948,175	-0-	-0-	-0-	-0-	(374,398)	-0-	21,573,777
Total Fund Balances	\$ 42,790,971	\$ 18,119,689	\$ 11,844,891	\$ 7,605,904	\$ 20,320,390	\$ 2,200,912	\$ 8,844,466	\$ 111,727,223

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2015 there was an excess of expenditures over appropriations in the special districts fund in the amount of \$76,430, a result of higher than anticipated costs related to the workers' compensation premiums for the fire protection districts. These expenditures were financed with available fund balance.

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, 2015.

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 an irrevocable letter of credit held by the pledging financial institution, or
- 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, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

At December 31, 2015 the Town's cash book balance was \$169,746,917. This amount is inclusive of Fiduciary fund deposits of \$38,830,947 cash with fiscal agent of \$3,869,234 and restricted cash of \$255,183 but exclusive of petty cash of \$3,814 and blended component unit cash of \$491,357. The Town's available bank balance was \$170,363,216 excluding the blended component units. Of the Town's available bank balance, \$16,180,263 was covered by Federal deposit insurance, and \$154,182,953 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 \$495,850, of which \$390,046 was covered by Federal deposit insurance. The remaining balance of \$105,804 was under collateralized.

At December 31, 2015 the Town's discretely presented component units' bank balances were \$4,194,334. Of this balance, \$286,124 was covered by Federal deposit insurance and \$3,908,210 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, 2015, 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, 2015, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. These balances, representing various short-term loans for operating purposes, are stated as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 238,132	
Commercial Garbage District Fund	482	
Highway Fund	338,438	
Capital Projects Fund		\$ 338,438
Non-major Funds	546	239,160
Total	<u>\$ 577,598</u>	<u>\$ 577,598</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

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

The individual fund interfund transfer balances for the primary government generally represent residual equity transfers related to completed and closed capital projects back to the fund servicing the debt. For the year ended December 31, 2015, there was an interfund transfer in the amount of \$1,542,640 to transfer the excess funding from a New York State Environmental Facilities Corporation bond originally reported in the capital projects fund to the part-town fund, which will be servicing the debt going forward. The excess funding will be used to pay off a portion of debt service annually until the debt matures in 2043. Accordingly, this amount is presented as restricted fund balance in the governmental funds Balance Sheet.

	Transfers out:			Total
	Major Funds:		Non-major Fund:	
	General Fund	Capital Projects Fund	Other Special Revenue Fund	
<u>Transfers in:</u>				
<u>Governmental Funds:</u>				
<u>Major Funds:</u>				
General Fund		\$ 428,008		\$ 428,008
Highway Fund		8,670		8,670
Capital Projects Fund	\$ 8,788		\$ 58,628	67,416
<u>Non-major Fund:</u>				
Part-Town Fund		1,542,640		1,542,640
Total	\$ 8,788	\$ 1,979,318	\$ 58,628	\$ 2,046,734

C. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2015 is as follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
<u>Governmental activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 32,051,697	\$ 188,800	\$ (70,580)	\$ 32,169,917
Construction in progress	27,299,354	16,364,967	(12,817,000)	30,847,321
Total capital assets not being depreciated	59,351,051	16,553,767	(12,887,580)	63,017,238
<u>Depreciable capital assets:</u>				
Building and improvements	93,310,965	13,105,384		106,416,349
Machinery and equipment	33,362,098	3,531,202	(1,619,512)	35,273,788
Infrastructure	422,003,220	7,899,436		429,902,656
Total depreciable capital assets	548,676,283	24,536,022	(1,619,512)	571,592,793
<u>Less: accumulated depreciation</u>				
Buildings and improvements	37,406,050	3,274,758		40,680,808
Machinery and equipment	24,291,554	2,154,905	(1,435,849)	25,010,610
Infrastructure	297,482,807	11,562,292		309,045,099
Total accumulated depreciation	\$ 359,180,411	\$ 16,991,955	\$ (1,435,849)	374,736,517
Total net depreciable capital assets				196,856,276
Total net capital assets				\$ 259,873,514

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Depreciation was charged to functions and programs as follows:

General government support	\$ 370,197
Public safety	111,057
Health	113,130
Transportation	11,950,386
Culture and recreation	2,921,347
Home and community services	<u>1,525,838</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 16,991,955</u></u>

Capital assets activity for the business-type activities for the year ended December 31, 2015 is as follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 194,964			\$ 194,964
Construction in progress	<u>74,580</u>		\$ (74,580)	<u>-0-</u>
Total capital assets not being depreciated	<u>269,544</u>	<u>\$ -0-</u>	<u>(74,580)</u>	<u>194,964</u>
Depreciable capital assets:				
Building and improvements	1,306,327			1,306,327
Machinery and equipment	351,670			351,670
Infrastructure	<u>6,785,413</u>	<u>74,580</u>		<u>6,859,993</u>
Total depreciable capital assets	<u>8,443,410</u>	<u>74,580</u>	<u>-0-</u>	<u>8,517,990</u>
Less: accumulated depreciation				
Buildings and improvements	819,691	24,190		843,881
Machinery and equipment	336,362	4,570		340,932
Infrastructure	<u>1,138,849</u>	<u>134,378</u>		<u>1,273,227</u>
Total accumulated depreciation	<u>\$ 2,294,902</u>	<u>\$ 163,138</u>	<u>\$ -0-</u>	<u>2,458,040</u>
Total net depreciable capital assets				<u>6,059,950</u>
Total net capital assets				<u><u>\$ 6,254,914</u></u>

Depreciation expense in the amount of \$163,138 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, 2015 is as follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
<u>Discretely Presented Non-major Component Unit- Wyandanch Rising, Inc.:</u>				
Capital assets not being depreciated:				
Land	\$ 748,500		\$ (209,300)	\$ 539,200
Total capital assets not being depreciated	<u>\$ 748,500</u>	<u>\$ -0-</u>	<u>\$ (209,300)</u>	<u>539,200</u>
Total net capital assets				<u><u>\$ 539,200</u></u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

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, 2015, the Town has not recorded any such impairment loss.

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, which has since been repaid with the issuance of authorized general obligation bonds. The Town is completing the pre-development work for the first phase ("phase I") of the project which includes rezoning, securing necessary permits and community approvals, demolishing existing structures, and grading the projects. Phase I of the construction began in 2013 and specifically relates to the construction of new residential, retail, commercial and civic space in downtown Wyandanch. To date, three buildings have been completed, of which two were transferred to Wyandanch Rising, Inc. (see below). In connection with the completion of Phase I, which is expected to occur by the end of 2018, the remaining land purchased for the revitalization program will be sold to a private developer.

As of December 31, 2015, 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 a total of \$28,990,000 of general obligations bonds 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. In October 2015, the WRI transferred the title of one of these parcels to the third party developer upon completion of the building.

As of December 31, 2015, the Town's community development agency fund owned three properties purchased with grant proceeds in the amount of \$315,782, 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 2016; therefore the property held for resale is classified as a current asset in the Statement of Net Position.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

E. SHORT-TERM DEBT

The schedule below details the changes in short-term debt during the year ended December 31, 2015 for the governmental activities:

	Balance 1/1/15	Issued/ Additions	Maturities/ Reductions	Other Net Decrease*	Balance 12/31/15
<u>Governmental activities:</u>					
Bond anticipation notes	\$ -0-	\$ 7,865,000		\$ (7,865,000)	\$ -0-
	<u>\$ -0-</u>	<u>\$ 7,865,000</u>	<u>\$ -0-</u>	<u>\$ (7,865,000)</u>	<u>\$ -0-</u>

*The short term debt was refinanced by general obligation bonds subsequent to year end (see Note 6) and therefore is considered long-term debt at December 31, 2015.

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 July 2015, the Town issued 2015 bond anticipation notes in the amount of \$14,650,000, with an interest rate of 2.00%. These notes were partially used to refinance a portion of the 2014 bond anticipation notes in the amount of \$6,785,000, which were reported as a long-term bond anticipation notes in the prior year, and the remaining proceeds in the amount of \$7,865,000 were issued for various capital projects and to purchase equipment. In June of 2016, the Town refinanced a portion of the BAN with general obligation bonds and therefore \$7,865,000 was reported as an other financing source in the fund financial statements.

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 \$2,614,778 as of December 31, 2015. The remaining amount of \$337,467, 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, 2015 was .81%, which is the rate used to determine the future interest payments below.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM DEBT (continued)

Guaranteed Assistance Contract Loans (continued)

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
2016	\$ 316,000	\$ 29,825	\$ 345,825
2017	172,000	18,552	190,552
2018	180,000	17,108	197,108
2019	187,000	15,602	202,602
2020	195,000	14,034	209,034
2021-2025	1,098,000	44,367	1,142,367
2026-2027	493,000	4,384	497,384
Total	<u>\$ 2,641,000</u>	<u>\$ 143,872</u>	<u>\$ 2,784,872</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.

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
2016	\$ 17,595,000	\$ 5,219,511	\$ 22,814,511
2017	18,595,000	4,755,152	23,350,152
2018	14,180,000	4,120,049	18,300,049
2019	11,770,000	3,671,993	15,441,993
2020	11,540,000	3,263,820	14,803,820
2021-2025	38,995,000	11,465,334	50,460,334
2026-2030	28,360,000	5,017,554	33,377,554
2031-2035	6,340,000	1,817,836	8,157,836
2036-2040	5,590,000	772,809	6,362,809
2041-2043	1,540,000	55,287	1,595,287
Total	<u>\$ 154,505,000</u>	<u>\$ 40,159,345</u>	<u>\$ 194,664,345</u>

There were no outstanding bonds payable for the business-type activities or the discretely presented non-major component units as of December 31, 2015.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM DEBT (continued)

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, 2015, \$6,390,000 of these bonds outstanding are considered defeased.

Changes in Long-term Liabilities

Long-term liability activity, for the year ended December 31, 2015 is as follows:

	Balance, as Restated, 1/1/15	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/15
Governmental activities:					
General obligation bonds	\$ 151,132,900	\$ 7,030,000	\$ 15,697,900	\$ 12,040,000	\$ 154,505,000
Plus: premiums on issuance	1,620,734	182,497	416,088		1,387,143
General obligation bonds, net	152,753,634	7,212,497	16,113,988	12,040,000	155,892,143
Bond anticipation notes payable	19,480,000	7,865,000	655,000	(12,040,000)	14,650,000
Guaranteed assistance contract loans payable	2,935,000		294,000		2,641,000
Due to employees' retirement system	2,569,557		681,241		1,888,316
Compensated absences	5,214,938	3,270,212	3,274,015		5,211,135
Claims and judgments payable	8,261,655	830,000	504,302	203,162	8,790,515
Estimated liability for landfill closure and postclosure care costs	23,780,537		467,600	1,293,653	24,606,590
Net pension liability - proportionate share	3,658,547	3,611,378	4,534,840		2,735,085
Other postemployment benefits payable	51,205,423	9,507,976	4,043,106		56,670,293
Business-type activities:					
Other postemployment benefits payable	286,918	46,591	33,690		299,819
	<u>\$ 270,146,209</u>	<u>\$ 32,343,654</u>	<u>\$ 30,601,782</u>	<u>\$ 1,496,815</u>	<u>\$ 273,384,896</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM DEBT (continued)

Changes in Long-term Liabilities (continued)

A summary of current and long-term debt amounts as of December 31, 2015 is as follows:

	Noncurrent Liabilities due Within One Year	Noncurrent Liabilities	Balance at 12/31/15
Governmental activities:			
General obligation bonds	\$ 17,595,000	\$ 136,910,000	\$ 154,505,000
Plus: premiums on issuance	278,976	1,108,167	1,387,143
General obligation bonds, net	17,873,976	138,018,167	155,892,143
Bond anticipation notes payable	450,000	14,200,000	14,650,000
Guaranteed assistance contract loans payable	316,000	2,325,000	2,641,000
Due to employees' retirement system	265,286	1,623,030	1,888,316
Compensated absences	3,170,000	2,041,135	5,211,135
Claims and judgments payable	569,170	8,221,345	8,790,515
Estimated liability for landfill closure and postclosure care costs	1,953,603	22,652,987	24,606,590
Net pension liability - proportionate share		2,735,085	2,735,085
Other postemployment benefits payable		56,670,293	56,670,293
Business-type activities:			
Other postemployment benefits payable		299,819	299,819
	<u>\$ 24,598,035</u>	<u>\$ 248,786,861</u>	<u>\$ 273,384,896</u>

Other Long-Term Debt

The liabilities for compensated absences, amounts due to employees' retirement system, the Town's proportionate share of the net pension liability 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, 2015, the outstanding Series 2009 A and B bond balances were \$33,015,000.

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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM

Plan Description

The Town and the Agency, a non-major discretely presented component unit, participate in the New York State and Local Employees' Retirement System (NYERS) (the "System"), a cost sharing multiple public employer retirement system. The net position of the System is held in the New York Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town and the Agency also participate in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. 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.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit, there is no minimum service requirement. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 and Tier 2, is 55 and 62, respectively.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Benefit calculation: Generally the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: 1) all pensioners who have attained age 62 and have been retired for five years; 2) all pensioners who have attained age 55 and have been retired for ten years; 3) all disability pensioners, regardless of age, who have been retired for five years; 4) recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and 5) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual consumer price index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Contributions

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSEERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's year ended March 31.

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	Total Payment
2015	\$4,453,925	\$ 118,042	\$ 330,398	\$ 456,637	\$ (46,651)	\$ 5,312,351
2014	4,710,847	(134,827)	461,877	456,637	(47,487)	5,447,047
2013	5,019,777	164,632	461,877	456,637	(52,961)	6,049,962

The actual contributions were equal to 100% of the actuarially required amounts. The credits and miscellaneous adjustments represent modifications made by the NYSEERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year. Amortization payments relate to the pension related debt, as discussed below.

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, 2015 the amount due to the System related to this deferral is \$1,888,316.

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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Contributions (continued)

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 was being in five installments, beginning in 2011, including interest at 5%. During the year ended December 31, 2015, the outstanding pension retirement incentive debt balance of \$424,779 was repaid, resulting in no outstanding liability at December 31, 2015.

The Agency has not elected to participate in the incentive programs or amortize the contribution costs under Chapter 57 of the Laws of 2010 of the State of New York.

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

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 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	303,850	25,149	328,999
2021-2022	467,169	20,494	487,663
	\$ 1,888,316	\$ 244,347	\$ 2,132,663

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At December 31, 2015, the Town and the Agency reported the following liabilities for the proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015. The Town and the Agency's proportion of the net pension liability was based on a projection of the Town and the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

Below is the proportionate share of the net pension liability of the System and the related employer allocation percentage as of March 31, 2015 (measurement date).

	Net Pension Liability	Allocation of the System's Total Net Pension Liability
Town	\$ 2,735,085	0.0809617%
Agency	54,308	0.0016076%

There was no significant change in the Town and Agency proportion from March 31, 2014 to March 31, 2015.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions
 (continued)

For the year ended December 31, 2015, the Town and Agency recognized pension expense of \$2,589,978 and \$49,185, respectively. At December 31, 2015 deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Outflows of Resources	
	Town	Agency
Differences between expected and actual experience	\$ 87,553	\$ 1,738
Net difference between projected and actual earnings on pension plan investments	475,050	9,433
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	458,797	143
Town's contribution subsequent to the measurement date	3,398,117	40,770
Total Deferred Outflow - Pension	\$ 4,419,517	\$ 52,084

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Town	Agency
Plan year ending March 31, 2016	\$ 255,350	\$ 2,829
2017	255,350	2,829
2018	255,350	2,829
2019	255,350	2,829
	\$ 1,021,400	\$ 11,316

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary increases	4.9%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Actuarial Assumption (continued)

Annuitant mortality rates are based on the April 1, 2005 - March 31, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Private equity	10.0%	11.00%
Real estate	8.0%	8.25%
Absolute return strategies	3.0%	6.75%
Opportunistic portfolio	3.0%	8.60%
Real assets	3.0%	8.65%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	<u>100.0%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

G. RETIREMENT SYSTEM (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Town's/Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's/Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	Decrease (6.5%)	Assumption (7.5%)	Increase (8.5%)
Town's proportionate share of the net pension liability (asset)	\$ 18,230,527	\$ 2,735,085	\$ (10,346,910)
Agency's proportionate share of the net pension liability (asset)	361,990	54,308	(205,451)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the respective valuation date of April 1, 2014 were as follows (in thousands):

Employers' total pension liability	\$ 164,591,504
Plan Fiduciary Net Position	161,213,259
Employers' net pension liability	\$ (3,378,245)

Ratio of plan fiduciary net position to the Employers' total pension liability	97.95%
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Detailed information about the pension plan's fiduciary net position is available in the System's separately issued financial statements.

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. The Agency, a non-major discretely presented component unit, has employees that participate in the OPEB plan. 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 75% - 100% of the premium for eligible retired administrative employees based on the hire date and years of service.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

For members of Local 237, eligibility requirements for coverage upon retirement are: five consecutive years of service with the Town and has attained the age of 55 years for those hired prior to November 14, 2011 and for those hired after November 14, 2011 twenty-five years of service 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, 2015, the effective date of the OPEB valuation is as follows:

	Total	Town	Agency
Active employees	296	292	4
Retirees	305	303	2
Surviving spouses *	29	29	
	630	624	6

*Surviving spouses are considered participants in the OPEB Plan but there is no benefit cost or OPEB liability for these individuals as the premiums paid by the Town are reimbursed 100%.

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

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, 2015, the Town's (excluding the non-major discretely presented component units) annual other postemployment benefits cost (expense) was \$9,554,567. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$4,076,796 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$5,477,771 for the year ended December 31, 2015. The Town's discretely presented component unit's annual other postemployment benefits cost (expense) was \$30,672. The payment of current health insurance premiums totaled \$21,481 for retirees and the component unit's beneficiaries, resulting in an increase in the other postemployment benefits liability of \$9,191 for the year ended December 31, 2015.

Benefit Obligations and Normal Cost

	Total	Town	Agency
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 68,397,509	\$ 68,118,957	\$ 278,552
Active employees	58,367,326	58,151,499	215,827
Total Actuarial Accrued Liability (AAL)	126,764,835	126,270,456	494,379
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 126,764,835	\$ 126,270,456	\$ 494,379
Funded ratio	0%	0%	0%
Normal cost at the beginning of the year	\$ 3,560,682	\$ 3,526,370	\$ 34,312
Amortization cost at the beginning of the year	\$ 6,617,734	\$ 6,580,279	\$ 37,455
Annual covered payroll	\$ 25,546,953	\$ 25,160,396	\$ 386,557
UAAL as a percentage of covered payroll	496.20%	501.86%	127.89%

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefit Obligations and Normal Cost (continued)

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, 2015 amounted to \$126,270,456. The unfunded actuarial accrued liability for the component unit for the year ended December 31, 2015 amounted to \$494,379.

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

	<u>Total</u>	<u>Town</u>	<u>Agency</u>
Normal cost	\$ 3,344,107	\$ 3,321,287	\$ 22,820
Amortization of unfunded actuarial liability (UAAL) over 30 years	6,723,878	6,694,985	28,893
Interest	320,754	319,115	1,639
Annual required contribution (ARC)	10,388,739	10,335,387	53,352
Interest on net OPEB obligation	2,080,083	2,059,694	20,389
Adjustment to ARC	(2,883,583)	(2,840,514)	(43,069)
Annual OPEB cost	9,585,239	9,554,567	30,672
Less: Contribution for year ended December 31, 2015	(4,098,277)	(4,076,796)	(21,481)
Increase in other postemployment benefits liability	5,486,962	5,477,771	9,191
Other postemployment benefits liability at December 31, 2014	52,017,012	51,492,341	524,671
Other postemployment benefits liability at December 31, 2015	<u>\$ 57,503,974</u>	<u>\$ 56,970,112</u>	<u>\$ 533,862</u>
Percent of annual OPEB cost contributed	42.76%	42.67%	70.03%

Funded Status and Funding Progress

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

	<u>Annual OPEB Cost</u>	<u>Annual Contribution Made</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 9,554,567	\$ 4,076,796	42.67%	\$ 56,970,112
2014	9,818,390	4,461,666	45.44%	51,492,341
2013	9,454,274	4,016,397	42.48%	46,135,617

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress (continued)

The projected funded status of the plan as of December 31, 2015, based on the January 1, 2015 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	\$ 126,270,456	\$ -0-	\$ 126,270,456	0.00%	\$ 25,160,396	501.86%
Agency	494,379	-0-	494,379	0.00%	386,557	127.89%

The required schedule of funding progress for the primary government 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, 2015 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 6.0% (post 65) healthcare cost trend for 2015, with an ultimate medical trend rate of 5% to be reached in 2019 for pre and in 2016 for post 65. The remaining amortization period at December 31, 2015 was twenty-one 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

3. DETAILED NOTES ON ALL FUNDS (continued)

I. SERVICE AWARD PROGRAM (continued)

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.

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 BSAS Actuarial and Pension Services, LLC except for Wyandanch for which the Town retained JF Actuarial Services, Inc. Portions of the following information are derived from reports prepared by the actuaries.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

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, 2015:

	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
<u>Assets</u>					
Actuarial present value of benefits at January 1	\$ 5,071,532	\$ 1,935,293	\$ 6,371,656	\$ 3,853,991	
benefits at February 1					\$ 550,070
Less: assets available for benefits	<u>3,739,156</u>	<u>1,607,513</u>	<u>3,407,605</u>	<u>2,313,591</u>	<u>408,852</u>
Total unfunded benefits	1,332,376	327,780	2,964,051	1,540,400	141,218
Less: unfunded liability for prior service	<u>(1,332,376)</u>	<u>(327,780)</u>	<u>(2,964,051)</u>	<u>(1,540,400)</u>	<u>(250,340)</u>
Unfunded (overfunded) normal benefits	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (109,122)</u>
<u>Assets Available for Benefits</u>					
Cash & short-term investments	\$ 25,818	\$ 42,365	\$ 90,028	\$ 46,903	
Annuities	3,085,907	1,303,556	2,224,327	1,723,297	\$ 408,852
Insurance contracts	<u>627,431</u>	<u>261,592</u>	<u>1,093,250</u>	<u>543,391</u>	
Total assets available for benefits	<u>\$ 3,739,156</u>	<u>\$ 1,607,513</u>	<u>\$ 3,407,605</u>	<u>\$ 2,313,591</u>	<u>\$ 408,852</u>
<u>Receipts and Disbursements</u>					
Plan assets, beginning of year	\$ 3,308,405	* \$ 1,545,867	\$ 3,273,026	\$ 2,460,348	\$ 392,454
Plan contributions - 2015	102,300	110,111	210,000	198,000	103,778
Investment income earned	94,333	49,551	74,266	62,279	16,634
Change in insurance contracts	38,337	(10,758)	37,805	10,622	
Other receipts	11,595	23,876	23,513	20,881	
Plan benefit withdrawals	(115,814)	(111,134)	(211,005)	(138,539)	(93,436)
Transfers	300,000			(300,000)	
Administrative fees / premiums					<u>(10,578)</u>
Plan assets, end of year	<u>\$ 3,739,156</u>	<u>\$ 1,607,513</u>	<u>\$ 3,407,605</u>	<u>\$ 2,313,591</u>	<u>\$ 408,852</u>

*Plan assets, beginning of year, for East Farmingdale was restated by \$300,000.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

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, 2015:

	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Prior Service Costs					
Amortization period	6-10 years	10- 11 years	10- 17 years	10- 17 years	25 years
Discount rate	5.25%	5.25%	5.25%	5.25%	4.75%
Contributions					
Recommend by actuary - 2015					
Minimum	\$ 321,522	\$ 106,144	\$ 379,195	\$ 246,586	\$ 100,297
Maximum	\$ 396,325	\$ 113,028	\$ 470,266	\$ 299,262	\$ 100,297
2015 Actual Contribution	\$ 102,300	\$ 110,111	\$ 210,000	\$ 198,000	\$ 103,778
Administration Fees					
Paid to Plan Administrator by:					
Sponsor	\$ 3,068	\$ 2,810	\$ 6,571	\$ 5,251	\$ -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	1/1/2016	1/1/2016	1/1/2016	1/1/2016	2/1/2016
Actuary report date	March 2016	March 2016	March 2016	May 2016	May 2016
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

* 1994 Group Annuity (GAR)

** RP- 2000 Mortality Table

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, 2015, the value of the accumulated vacation time and sick leave of the primary government was \$5,211,135.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 \$7,776,850. 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	
	2015	2014	2015	2014
Beginning balances of claims liabilities at January 1	\$ 7,082,850	\$ 5,092,228	\$ 1,178,805	\$ 1,344,461
Claims incurred	830,000	2,071,550	-0-	-0-
Claims payments	(132,826)	(102,534)	(371,476)	(339,725)
Change to prior year estimates	(3,174)	21,606	206,336	174,069
Ending balance of claims liabilities at December 31	<u>\$ 7,776,850</u>	<u>\$ 7,082,850</u>	<u>\$ 1,013,665</u>	<u>\$ 1,178,805</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, 2015

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 \$24,606,590 at December 31, 2015, 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 60.45% of the estimated capacity of the southern ash landfill. The Town will recognize the remaining estimated cost of closure and postclosure care of \$6,833,835 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 2015 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.

The majority of the closure and postclosure care costs will be funded through the issuance of bonds and surplus earnings in the garbage district funds. The Town complies with State and Federal law requirements for owners to demonstrate financial assurance for closure and postclosure costs, and/or federal action (if applicable).

D. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS INCLUDING ENCUMBRANCES

The Town is committed to capital improvements to its various facilities and infrastructure. At December 31, 2015, these commitments, reported in the capital project fund amounted to \$5,788,528.

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. Obligor 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, 2015, the Town does not have any liability related to these future costs and has not reported a liability on the government-wide statements.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

4. COMMITMENTS AND CONTINGENCIES (continued)

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.

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 3F 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, 2015 are as follows:

Years Ending December 31, 2016	\$	662,848
2017		644,580
2018		592,491
2019		538,815
2020		456,769
Thereafter		<u>4,184,574</u>
	\$	<u>7,080,077</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, 2015 approximated \$320,000. The maximum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2016	\$	277,336
2017		224,050
2018		152,094
2019		81,795
2020		<u>31,999</u>
	\$	<u>767,274</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 \$8,517,990 and \$6,059,950, 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, 2015, the Town reported a deferred inflow of resources in the amount of \$2,612,500 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, 2015. 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. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2015, the Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. The implementation of Statement No. 68 and No. 71 resulted in the retroactive reporting of a liability and deferred outflow of resources related to the Town's participation in the NYS Local Employees Retirement System. As a result, the Town's January 1, 2015 governmental activities net position was decreased by \$257,417 from \$98,296,730 to \$98,039,313.

Net position beginning of year, as reported	\$ 98,296,730
GASB Statements No. 68 and 71 implementation	
Beginning System liability - Employees' Retirement System	(3,658,547)
Beginning deferred outflow of resources for contributions	
subsequent to the measurement date	
Employees' Retirement System	3,401,130
Net position beginning of year, as restated	\$ 98,039,313

6. SUBSEQUENT EVENTS

In June 2016, the Town issued general obligation bonds in the amount of \$14,200,000, which will be used to refinance the 2015 bond anticipation notes after a principal repayment of \$650,000. The general obligation bonds will mature June 1, 2034 and bear interest at rates ranging from 2.00% - 3.00% rate.

In June 2016, the Town issued general obligation bonds in the amount of \$17,100,000. Bond proceeds will be used to finance various capital projects and to purchase equipment. The general obligation bonds will mature June 1, 2036 and bear interest at rates ranging from 2.00% to 3.00%.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

7. NEW PRONOUNCEMENTS

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

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.

Statement No. 77, "*Tax Abatement Disclosures*," the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations, as well as the impact on the government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," amends the scope and applicability of Statement No. 68. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria of Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provided defined benefit pensions both to employees of state/local governmental employers as well as to employees of non-state/local governmental employers and (c) has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide pensions through the pension plan. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 80, "*Blending Requirements for Certain Component Units – an Amendment of Statement No.14*," the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

7. NEW PRONOUNCEMENTS (continued)

Statement No. 82, "*Pension Issues – an Amendment of Statements No. 67, 68, and 73*," the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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.

See Note 2.B.2 to the financial statements for information regarding the special districts fund's excess of expenditures over appropriations.

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 34,875,975	\$ 34,875,975	\$ 34,875,975	\$ -0-
Total Real Property Taxes	<u>34,875,975</u>	<u>34,875,975</u>	<u>34,875,975</u>	<u>-0-</u>
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	750,000	750,000	798,507	48,507
Interest and penalties on real property taxes	200,000	200,000	258,391	58,391
Total Other Real Property Tax Items	<u>950,000</u>	<u>950,000</u>	<u>1,056,898</u>	<u>106,898</u>
NON-PROPERTY TAX ITEMS				
Franchise fees	3,000,000	3,000,000	3,290,525	290,525
Other non-property tax items	700,000	800,000	1,091,389	291,389
Total Non-Property Tax Items	<u>3,700,000</u>	<u>3,800,000</u>	<u>4,381,914</u>	<u>581,914</u>
DEPARTMENTAL INCOME				
Assessor's fees	15,000	15,000	15,000	
Town Clerk's fees	375,000	375,000	219,885	(155,115)
Public health fees	105,000	105,000	155,528	50,528
Public pound fees and dog control service	50,000	50,000	47,655	(2,345)
Wyandanch program fees	80,000	80,000	79,984	(16)
Other health department fees	350,000	350,000	468,975	118,975
Park and recreation charges and fees	1,900,000	1,900,000	2,449,741	549,741
Total Departmental Income	<u>2,875,000</u>	<u>2,875,000</u>	<u>3,436,768</u>	<u>561,768</u>
USE OF MONEY AND PROPERTY				
Interest and earnings	50,000	50,000	40,135	(9,865)
Rental of real property	2,100,000	2,100,000	2,495,485	395,485
Total Use of Money and Property	<u>2,150,000</u>	<u>2,150,000</u>	<u>2,535,620</u>	<u>385,620</u>
LICENSES AND PERMITS				
Bingo licenses	10,000	10,000	8,038	(1,962)
Dog licenses	11,000	11,000	12,300	1,300
Licenses - other	1,000	1,000	262	(738)
Plumbing permits	40,000	40,000	46,988	6,988
Impact fees	100,000	100,000	100,000	
Permits - other	40,000	40,000	58,720	18,720
Total Licenses and Permits	<u>202,000</u>	<u>202,000</u>	<u>226,308</u>	<u>24,308</u>
FINES AND FORFEITURES				
Fines and forfeited bail	1,300,000	1,300,000	1,372,179	72,179
Forfeitures of deposits	50,000	50,000	94,145	44,145
Total Fines and Forfeitures	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,466,324</u>	<u>116,324</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of scrap and excess materials	10,000	10,000	6,645	(3,355)
Total Sale of Property and Compensation for Loss	<u>10,000</u>	<u>10,000</u>	<u>6,645</u>	<u>(3,355)</u>
INTERFUND REVENUE				
Interfund revenue	2,500,000	2,500,000	2,956,087	456,087
Total Interfund Revenue	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,956,087</u>	<u>456,087</u>
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations	105,000	105,000	134,732	29,732
Refunds of prior years' expenditures	20,000	20,000	83,196	63,196
Grants from local governments	15,000	15,000	11,834	(3,166)
Miscellaneous local sources	60,000	60,000	60,000	-
Narcotics guidance counsel - local aid			75,551	75,551
Youth Project safe - local aid			18,203	18,203
Youth programs - local aid			310,189	310,189
Residential repair - local aid	24,000		2,416	2,416
Wyandanch nutrition program - local aid	200,000		21,364	21,364
Other miscellaneous revenue	100,000	100,000	24,182	(75,818)
Total Miscellaneous Local Sources	<u>524,000</u>	<u>300,000</u>	<u>741,667</u>	<u>441,667</u>

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
STATE AID				
Mortgage tax	3,300,000	3,300,000	3,788,454	488,454
Narcotics guidance counsel	424,370			
Youth programs	447,000	447,000	144,419	(302,581)
Youth project S.A.F.E.	35,000	35,000	37,759	2,759
Therapeutic recreation and senior day training program	80,000	80,000	99,711	19,711
Emergency disaster assistance program			78,599	78,599
State grants - other	100,000	100,000	16,265	(83,735)
Total State and County Aid	4,386,370	3,962,000	4,165,207	203,207
FEDERAL AID				
General government aid			12,859	12,859
Narcotics guidance counsel		424,370	322,086	(102,284)
Residential repair		24,000	21,743	(2,257)
Wyandanch nutrition program		200,000	216,856	16,856
Emergency disaster assistance program			187,351	187,351
Total Federal Aid	-0-	648,370	760,895	112,525
Total Revenues	53,523,345	53,623,345	56,610,308	2,986,963
EXPENDITURES				
GENERAL GOVERNMENT SUPPORT				
Town Board	481,638	491,595	488,763	2,832
Municipal court	134,444	134,444	42,055	92,389
Traffic violations bureau	198,892	194,940	190,826	4,114
Town Supervisor	900,210	900,210	869,975	30,235
Comptroller	734,231	739,274	665,105	74,169
Auditor	250,000	250,000	205,500	44,500
Receiver of taxes	708,819	708,819	662,747	46,072
Purchasing	263,376	327,063	325,881	1,182
Assessor	1,995,668	1,995,668	1,706,143	289,525
Town Clerk	528,852	534,588	531,377	3,211
Town Attorney	1,342,024	1,345,976	1,204,666	141,310
Personnel	173,294	173,294	164,346	8,948
Engineering	350,050	436,690	436,639	51
Board of ethics	1,500	1,500	1,025	475
Records management	86,154	86,154	84,469	1,685
Public works administration	209,603	209,603	206,929	2,674
Buildings and grounds	3,789,255	3,390,118	3,238,504	151,614
Central garage and central fuel facility	1,931,764	1,931,764	1,486,057	445,707
Central printing and mailing	689,895	729,604	691,708	37,896
Central data processing	951,447	951,447	885,764	65,683
Unallocated insurance	1,100,000	2,444,277	1,961,096	483,181
Municipal association dues	3,500	3,500	1,950	1,550
Taxes and assessments on municipal property	15,000	5,000	2,756	2,244
Contingencies - contractual and other	41,917	21,181	21,181	21,181
Other general government support	100,000	95,000	55,053	39,947
Total General Government Support	16,981,533	18,101,709	16,109,334	1,992,375
PUBLIC SAFETY				
Traffic control	673,881	693,233	693,015	218
Control of animals	861,382	888,848	874,137	14,711
Examining boards	27,500	27,569	27,569	-0-
Civil defense	9,500	9,431	9,017	414
Total Public Safety	1,572,263	1,619,081	1,603,738	15,343
HEALTH				
Narcotics addition control	964,115	964,116	944,334	19,782
Therapeutic recreation program	281,600	298,178	298,178	-0-
Nutrition program	588,996	573,879	561,488	12,391
Project S.A.F.E.	96,250			-0-
Youth Institute CCS	257,760	589,631	584,869	4,762
Other public health		366,475	364,414	2,061
Total Health	2,188,721	2,792,279	2,753,283	38,996
ECONOMIC ASSISTANCE AND OPPORTUNITY				
Human services administration	351,358			
Publicity	63,917	63,918	52,554	11,364
Promotion of industry	53,428	54,914	54,914	-0-
Veterans' services	9,400	7,913	4,997	2,916
Programs for the aging	110,839	110,839	105,025	5,814
Other economic development	31,752	31,752	17,953	13,799
Total Economic Assistance and Opportunity	620,694	269,336	235,443	33,893

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CULTURE AND RECREATION				
Council on the arts	10,000	10,000	10,000	
Parks and recreation administration	883,789	982,948	981,101	1,847
Parks	4,520,206	4,470,854	4,387,075	83,779
Playground and recreation centers	491,500	507,350	498,924	8,426
Special recreation facilities	2,392,800	2,267,156	2,240,185	26,971
Youth programs	1,139,242	887,042	869,831	17,211
Town historian	66,351	76,986	75,005	1,981
Adult recreation	1,021,899	1,078,910	1,076,889	2,021
Total Culture and Recreation	<u>10,525,787</u>	<u>10,281,246</u>	<u>10,139,010</u>	<u>142,236</u>
HOME AND COMMUNITY SERVICES				
Environmental control	993,023	1,040,556	1,037,351	3,205
Other home and community services		350,508	350,508	
Total Home and Community Services	<u>993,023</u>	<u>1,391,064</u>	<u>1,387,859</u>	<u>3,205</u>
EMPLOYEE BENEFITS				
Retirement system	3,084,318	3,291,081	3,199,728	91,353
Social security	1,479,818	1,485,816	1,483,686	2,130
Workers' compensation	1,038,627	1,149,185	1,146,425	2,760
Life insurance	15,000	19,056	19,056	-0-
Unemployment benefits	100,000	55,156	55,156	-0-
Disability benefits	23,000	21,699	21,699	-0-
Hospital, medical, vision and dental	5,511,500	5,407,935	5,407,935	-0-
Other employee benefits	421,000	409,336	408,926	410
Total Employee Benefits	<u>11,673,263</u>	<u>11,839,264</u>	<u>11,742,611</u>	<u>96,653</u>
DEBT SERVICE				
Principal	6,803,588	6,818,588	6,818,588	-0-
Interest	2,444,536	2,444,536	2,444,536	-0-
Bond issuance costs	200,000	137,517	127,139	10,378
Total Debt Service	<u>9,448,124</u>	<u>9,400,641</u>	<u>9,390,263</u>	<u>10,378</u>
Total Expenditures	<u>54,003,408</u>	<u>55,694,620</u>	<u>53,361,541</u>	<u>2,333,079</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,063)</u>	<u>(2,071,275)</u>	<u>3,248,767</u>	<u>5,320,042</u>
OTHER FINANCING SOURCES				
Principal amount of bond anticipation notes		1,600,000	1,600,000	-0-
Premium on obligations	200,000	200,000	349,987	(149,987)
Sale of capital assets	175,000	175,000	138,045	36,955
Insurance recovery	30,000	30,000	37,081	(7,081)
Operating transfers in	50,000	50,000	428,008	(378,008)
Operating transfers out		(8,788)	(8,788)	-0-
Total Other Financing Sources	<u>455,000</u>	<u>2,046,212</u>	<u>2,544,333</u>	<u>(498,121)</u>
Net Change in Fund Balance	<u>\$ (25,063)</u>	<u>\$ (25,063)</u>	<u>5,793,100</u>	<u>\$ 5,818,163</u>
Fund Balance at Beginning of Year			<u>36,997,871</u>	
Fund Balance at End of Year			<u>\$ 42,790,971</u>	

TOWN OF BABYLON
RESIDENTIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REAL PROPERTY TAXES				
Special assessments	\$ 15,031,662	\$ 15,031,662	\$ 15,031,662	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	5,456,085	5,456,085	5,012,095	(443,990)
Long Island Green Homes	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,845,522</u>	<u>(154,478)</u>
Total Departmental Income	<u>7,456,085</u>	<u>7,456,085</u>	<u>6,857,617</u>	<u>(598,468)</u>
USE OF MONEY AND PROPERTY				
Interest earnings	500,000	500,000	365,819	(134,181)
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			587,139	587,139
STATE AID				
Home and community services aid			13,761	13,761
Emergency disaster assistance program			<u>332,919</u>	<u>332,919</u>
Total State Aid	<u>-0-</u>	<u>-0-</u>	<u>346,680</u>	<u>346,680</u>
FEDERAL AID				
Emergency disaster assistance program			<u>382,610</u>	<u>382,610</u>
Total Revenues	<u>22,987,747</u>	<u>22,987,747</u>	<u>23,571,527</u>	<u>583,780</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	24,457,454	24,410,067	23,038,451	1,371,616
Long Island Green Homes program	1,500,000	1,533,796	1,533,796	-0-
Unallocated insurance	<u>50,000</u>	<u>61,446</u>	<u>61,446</u>	<u>-0-</u>
Total Home and Community Services	<u>26,007,454</u>	<u>26,005,309</u>	<u>24,633,693</u>	<u>1,371,616</u>
EMPLOYEE BENEFITS				
Retirement system	148,249	148,249	123,134	25,115
Social security	50,406	53,293	53,293	-0-
Workers' compensation	47,500	46,699	44,256	2,443
Life insurance	621	844	844	-0-
Unemployment benefits	7,000	4,556		4,556
Disability benefits	1,000	1,384	1,003	381
Hospital, medical, vision and dental	202,900	204,637	171,007	33,630
Union welfare benefits	<u>25,000</u>	<u>25,000</u>	<u>16,339</u>	<u>8,661</u>
Total Employee Benefits	<u>482,676</u>	<u>484,662</u>	<u>409,876</u>	<u>74,786</u>
DEBT SERVICE				
Principal	467,374	467,374	467,374	-0-
Interest	65,213	65,213	65,212	1
Bond issuance costs		159	159	-0-
Total Debt Service	<u>532,587</u>	<u>532,746</u>	<u>532,745</u>	<u>1</u>
Total Expenditures	<u>27,022,717</u>	<u>27,022,717</u>	<u>25,576,314</u>	<u>1,446,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,034,970)</u>	<u>(4,034,970)</u>	<u>(2,004,787)</u>	<u>2,030,183</u>
OTHER FINANCING SOURCES				
Premium on obligations			585	(585)
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>585</u>	<u>(585)</u>
Net Change in Fund Balance	<u>\$ (4,034,970)</u>	<u>\$ (4,034,970)</u>	<u>(2,004,202)</u>	<u>\$ 2,030,768</u>
Fund Balance at Beginning of Year			<u>20,123,891</u>	
Fund at Balance End of Year			<u>\$ 18,119,689</u>	

TOWN OF BABYLON
COMMERCIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REAL PROPERTY TAXES				
Special assessments	\$ 6,795,807	\$ 6,795,807	\$ 6,795,807	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	17,527,155	17,527,155	17,854,846	327,691
USE OF MONEY AND PROPERTY				
Interest earnings	15,000	15,000	9,153	(5,847)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of refuse containers	70,100	70,100	420,600	350,500
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			689,528	689,528
STATE AND COUNTY AID				
Emergency disaster assistance program			27,444	27,444
FEDERAL AID				
Emergency disaster assistance program			220,393	220,393
Total Revenues	<u>24,408,062</u>	<u>24,408,062</u>	<u>26,017,771</u>	<u>1,609,709</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	23,376,480	23,308,931	20,258,895	3,050,036
Landfill closure/postclosure costs	125,000	125,000	77,787	47,213
Unallocated insurance	44,000	58,580	58,580	-0-
Total Home and Community Services	<u>23,545,480</u>	<u>23,492,511</u>	<u>20,395,262</u>	<u>3,097,249</u>
EMPLOYEE BENEFITS				
Retirement system	112,666	167,110	167,110	-0-
Social security	67,985	71,460	71,460	-0-
Workers' compensation	45,000	45,000	44,257	743
Life insurance	200	266	266	-0-
Unemployment benefits	500	400		400
Disability benefits	1,500	1,515	1,515	-0-
Hospital, medical, vision and dental	176,750	171,619	171,437	182
Union welfare benefits	13,000	13,000	11,282	1,718
Total Employee Benefits	<u>417,601</u>	<u>470,370</u>	<u>467,327</u>	<u>3,043</u>
DEBT SERVICE				
Principal	423,951	423,951	423,951	-0-
Interest	60,641	60,641	60,641	-0-
Bond issuance costs		200	200	-0-
Total Debt Service	<u>484,592</u>	<u>484,792</u>	<u>484,792</u>	<u>-0-</u>
Total Expenditures	<u>24,447,673</u>	<u>24,447,673</u>	<u>21,347,381</u>	<u>3,100,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39,611)</u>	<u>(39,611)</u>	<u>4,670,390</u>	<u>4,710,001</u>
OTHER FINANCING SOURCES				
Premium on obligations			736	736
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>736</u>	<u>736</u>
Net Change in Fund Balance	<u>\$ (39,611)</u>	<u>\$ (39,611)</u>	<u>4,671,126</u>	<u>\$ 4,710,737</u>
Fund Balance at Beginning of Year			<u>7,173,765</u>	
Fund at Balance End of Year			<u>\$ 11,844,891</u>	

TOWN OF BABYLON
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2015

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 19,979,109	\$ 19,979,109	\$ 19,979,109	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	550,000	583,146	583,146	-0-
USE OF MONEY AND PROPERTY				
Interest earnings	30,000	8,890	8,890	-0-
LICENSES AND PERMITS				
Street inspection fees	80,000	154,446	151,245	(3,201)
Other permits	50	99,287	99,295	8
Total Licenses and Permits	<u>80,050</u>	<u>253,733</u>	<u>250,540</u>	<u>(3,193)</u>
MISCELLANEOUS LOCAL SOURCES				
Refund of prior year expenditures		34,826	34,827	1
Other miscellaneous revenue	20,000	1,170	1,170	-0-
Total Miscellaneous Local Sources	<u>20,000</u>	<u>35,996</u>	<u>35,997</u>	<u>1</u>
STATE AID				
Consolidated local street and highway improvement program	1,200,000	1,298,541	1,377,614	79,073
Emergency disaster assistance program		173,520	339,899	166,379
Total State Aid	<u>1,200,000</u>	<u>1,472,061</u>	<u>1,717,513</u>	<u>245,452</u>
FEDERAL AID				
Emergency disaster assistance program		336,342	339,504	3,162
Total Revenues	<u>21,859,159</u>	<u>22,669,277</u>	<u>22,914,699</u>	<u>245,422</u>
EXPENDITURES				
TRANSPORTATION				
Street administration	556,297	544,449	544,443	6
Maintenance of streets	4,031,057	3,692,104	3,549,712	142,392
Permanent improvements	1,270,000	1,444,265	1,441,241	3,024
Machinery	967,945	956,214	954,500	1,714
Snow removal	600,000	1,747,186	1,747,186	-0-
Unallocated insurance	85,000	52,756	52,756	-0-
Total Transportation	<u>7,510,299</u>	<u>8,436,974</u>	<u>8,289,838</u>	<u>147,136</u>
EMPLOYEE BENEFITS				
Retirement system	861,599	936,624	911,440	25,184
Social security	470,106	420,241	405,852	14,389
Workers' compensation	340,320	328,234	328,230	4
Life insurance	420	616	616	-0-
Unemployment benefits	26,200	25,049	22,451	2,598
Disability benefits	550	631	624	7
Hospital, medical, vision and dental	1,821,450	1,740,329	1,740,275	54
Union welfare benefits	110,000	106,858	104,074	2,784
Total Employee Benefits	<u>3,630,645</u>	<u>3,558,582</u>	<u>3,513,562</u>	<u>45,020</u>
DEBT SERVICE				
Principal	8,151,155	8,151,155	8,151,155	-0-
Interest	2,567,060	2,567,059	2,567,059	-0-
Bond issuance costs	35,000	26,541	26,541	-0-
Total Debt Service	<u>10,753,215</u>	<u>10,744,755</u>	<u>10,744,755</u>	<u>-0-</u>
Total Expenditures	<u>21,894,159</u>	<u>22,740,311</u>	<u>22,548,155</u>	<u>192,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(35,000)</u>	<u>(71,034)</u>	<u>366,544</u>	<u>437,578</u>
OTHER FINANCING SOURCES				
Premium on obligations	35,000	62,364	62,365	1
Operating transfers in		8,670	8,670	-0-
Total Other Financing Sources	<u>35,000</u>	<u>71,034</u>	<u>71,035</u>	<u>1</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>437,579</u>	<u>\$ 437,579</u>
Fund Balance at Beginning of Year			<u>7,168,325</u>	
Fund Balance at End of Year			<u>\$ 7,605,904</u>	

TOWN OF BABYLON
SPECIAL DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 16,374,253	\$ 16,374,253	\$ 16,374,253	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	501,420	501,420	509,209	7,789
USE OF MONEY AND PROPERTY				
Interest earnings			1,725	1,725
STATE AID				
Emergency disaster assistance program			6,175	6,175
Total Revenues	<u>16,875,673</u>	<u>16,875,673</u>	<u>16,891,362</u>	<u>15,689</u>
EXPENDITURES				
PUBLIC SAFETY				
Fire protection districts	15,351,470	15,351,470	15,443,452	(91,982)
HEALTH				
Ambulance districts	1,526,079	1,526,079	1,510,527	15,552
Total Expenditures	<u>16,877,549</u>	<u>16,877,549</u>	<u>16,953,979</u>	<u>(76,430)</u>
Net Change in Fund Balance	<u>\$ (1,876)</u>	<u>\$ (1,876)</u>	(62,617)	<u>\$ (60,741)</u>
Fund Balance at Beginning of Year			<u>2,263,529</u>	
Fund Balance at End of Year			<u>\$ 2,200,912</u>	

TOWN OF BABYLON
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS
December 31, 2015

<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>
2015	\$ -0-	\$ 126,270,456	\$ 126,270,456	0.00%	\$ 25,160,396	501.86%
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%

TOWN OF BABYLON
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2015

	<u>2015</u>	<u>2014</u>
Town's proportion of the collective net pension liability	0.0809617%	0.0809617%
Town's proportionate share of the net collective pension liability	\$ 2,735,085	\$ 3,658,547
Town's covered-employee payroll	\$ 25,090,978	\$ 24,462,213
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	10.90%	14.96%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	97.90%	97.20%

TOWN OF BABYLON
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2015

NYSERS
Years Ended December 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 4,531,827	\$ 4,685,568	\$ 4,986,312	\$ 4,170,015	\$ 3,001,407	\$ 2,494,291	\$ 1,770,792	\$ 1,974,730	\$ 2,166,963	\$ 2,345,223
Contributions in relation to the contractually required contribution	<u>\$ 4,531,827</u>	<u>\$ 4,685,568</u>	<u>\$ 4,986,312</u>	<u>\$ 2,452,354</u>	<u>\$ 2,303,832</u>	<u>\$ 2,164,576</u>	<u>\$ 1,770,792</u>	<u>\$ 1,974,730</u>	<u>\$ 2,166,963</u>	<u>\$ 2,345,223</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,717,661</u>	<u>\$ 697,575</u>	<u>\$ 329,715</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Town's covered-employee payroll	\$25,739,585	\$24,718,125	\$24,096,222	\$23,920,750	\$23,443,413	\$24,931,112	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.61%	18.96%	20.69%	10.25%	9.83%	8.68%	N/A	N/A	N/A	N/A

N/A Covered-employee payroll for years ended December 2006 through December 2009 was not available.