

**TOWN OF BABYLON**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2011

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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York, as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Town of Babylon Industrial Development Agency, the discretely presented component unit presented in the financial statements. As of December 31, 2011, the Town of Babylon Industrial Development Agency has total assets of \$1,888,893 and total revenues of \$767,220 for the year then ended. 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. whose statements collectively reflect total assets of \$282,138 at December 31, 2011 and total revenue of \$659,676 for the year then ended. 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 Town of Babylon Industrial Development Agency, and 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. The financial statements of the component units in these financial statements were not audited in accordance with *Government Auditing Standards*. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York, as of December 31, 2011, 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.

**PERSONAL SERVICE. TRUSTED ADVICE.**

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Honorable Supervisor and Town Board  
Town of Babylon  
Page 2

As described in Note 1.H to the basic financial statements, the Town of Babylon, New York adopted the provisions of Governmental Accounting Standards Board No. 54, "*Fund Balance Reporting and Governmental Fund Definitions*" as of and for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2012 on our consideration of the Town of Babylon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

*A. Brecht, Veggiano, Zuercher & Co., P.C.*

Hauppauge, New York  
August 23, 2012

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

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal of this report.

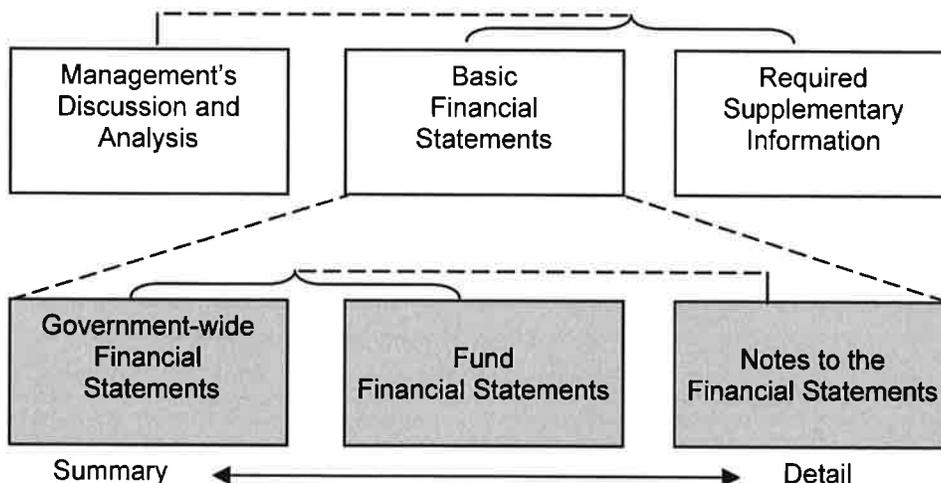
**FINANCIAL HIGHLIGHTS**

- The assets of the Town's governmental activities exceeded its liabilities at the close of 2011 by \$94,122,955 (net assets).
- The Town's governmental net assets decreased by \$6,523,591. The most notable factor contributing to this decrease is the ongoing recognition of postemployment benefits healthcare costs.
- The Town's business-type activities reported an increase in net assets of approximately \$1,262,957 as a result receiving on going pollution remediation settlement proceeds.
- As of the close of 2011, the Town's governmental funds reported combined ending fund balances of \$71,422,258. Of this amount, \$27,377,978 is not in spendable form or is required to remain intact. The remaining \$44,044,280 or approximately 61.7% 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 (in compliance with *Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions*) see Note 2.B.
- At the end of 2011, the Town's total fund balance for the General Fund was \$15,918,266, an increase of \$9,938,480 from the prior year, primarily as a resulting from the receipt of \$8,450,000 proceeds from debt issuance. The assigned and unassigned (GASB Statement No. 54) fund balance deficit for the General Fund was \$10,548,439.
- The Town's total bonded debt (inclusive of general obligation bonds and bond anticipation notes) was \$131,964,998, of which \$131,837,658 relates to governmental activities and \$127,340 relates to business-type activities, and is a decrease of 0.19% 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 comprise 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, 2011

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

**Government-wide Financial Statements**

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

The Statement of Net Assets presents financial information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets 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 assets 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 component units for which the Town is financially accountable. Financial information for one of the component units is reported separately (discretely presented) 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; education; public safety; 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 Suffolk County, NY.

*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. One of these entities is reported in a separate column in the government-wide statements, the remaining component units activities are blended with the primary government. The Town includes four separate legal entities in its report (an industrial development agency (discretely presented) and three not-for profits (blended)).

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, 2011

**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 change 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, Combined Highway Fund, Capital Projects Fund and Special Districts Fund are reported as major funds. Data from the four (4) other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general and special revenue funds, except for the following funds: Capital Projects Fund, Housing and Assistance Agency Fund and Community Development Agency Fund. A budgetary comparison schedule for the General Fund, Residential Garbage Fund, Commercial Garbage Fund, Combined 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, East Farmingdale Water District, to account for the operations of leasing its water plant to Suffolk County, NY.

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, 2011

**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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$94,122,955 at the close of the most recent year.

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

Condensed Statements of Net Assets  
 As of December 31, 2011 and 2010

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
<b>Assets</b>				
Current assets	\$ 144,046,474	\$ 155,503,620	\$ 3,617,579	\$ 4,664,668
Capital assets	230,542,897	232,825,768	6,706,698	5,249,074
Other noncurrent assets	39,308,586	24,116,118		
<b>Total Assets</b>	<b>413,897,957</b>	<b>412,445,506</b>	<b>10,324,277</b>	<b>9,913,742</b>
<b>Liabilities</b>				
Current liabilities	125,617,027	119,203,503	421,327	1,091,226
Noncurrent liabilities	194,157,975	192,595,457	3,185,314	3,367,837
<b>Total Liabilities</b>	<b>319,775,002</b>	<b>311,798,960</b>	<b>3,606,641</b>	<b>4,459,063</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	112,042,627	106,298,834	6,579,358	5,055,734
Restricted	12,465,930	5,095,280		
Unrestricted	(30,385,602)	(10,747,568)	138,278	398,945
<b>Total Net Assets</b>	<b>\$ 94,122,955</b>	<b>\$ 100,646,546</b>	<b>\$ 6,717,636</b>	<b>\$ 5,454,679</b>

Total assets of the Town's governmental activities, as of December 31, 2011, were \$413,897,957, an increase of \$1,452,451. Total liabilities as of December 31, 2011 were \$319,775,002, an increase of \$7,976,042. This results in a net asset balance of \$94,122,955 for 2011, a decrease of \$6,523,591. Of the Town's net asset balance, \$112,042,627 were invested in capital assets, net of related debt; while \$12,465,930 were restricted by statute or other specific purposes leaving a \$30,385,602 unrestricted deficit. Total governmental net assets were again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). The unfunded liability for postemployment benefits healthcare costs related to governmental activities increased in 2011 by \$5,901,743 bringing the unfunded liability at year-end to \$34,476,927. Additional information on other postemployment benefits can be found in Note 3.G to the financial statements.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2011

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

By far the largest portion of the Town's net assets, \$112,042,627 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, intangibles 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 assets 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 invested in capital assets, net of related debt, and restricted. The same situation held true for the prior year. The deficit balance in unrestricted arose primarily due to long-term liabilities which include other postemployment benefits, compensated absences, due to employees' retirement systems, claims and judgments and landfill closure and post closure care costs that will be funded through future budgetary appropriations when they become payable in future periods.

The Town's business-type activities net assets at December 31, 2011, were \$6,717,636, an increase of \$1,262,957 from the prior year which was primarily due to the proceeds received from an ongoing pollution remediation settlement from the responsible party. Liabilities decreased by \$852,422 from December 31, 2010 due to repayment of trade payables and the fact that effective October 2010, the Town began leasing the water plant to Suffolk County who is now responsible for providing water services to the East Farmingdale District residents whereby reducing the operational payables.

Changes in Net Assets  
 For the years ended December 31, 2011 and 2010

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
<b>Program Revenue</b>				
Charges for services	\$ 60,779,437	\$ 68,628,400	\$ 154,585	\$ 1,343,487
Operating grants and contributions	18,702,572	20,238,668		
Capital grants and contributions	5,224,759	2,572,867		
<b>Total Program Revenues</b>	<b>84,706,768</b>	<b>91,439,935</b>	<b>154,585</b>	<b>1,343,487</b>
<b>General Revenues</b>				
Real property taxes	59,397,047	56,696,182		
Other real property tax items	7,725,054	7,645,615		
Non-property tax items	3,446,986	3,336,439		
Interest earnings	764,865	675,173	3,322	13,449
Sale of property and compensation for loss	1,322,176	1,104,094	1,540,171	2,255,612
Mortgage tax	3,546,949	5,756,659		
State aid	1,115,650	1,138,418		
Other	735,255	267,329	163,294	
<b>Total General Revenues</b>	<b>78,053,982</b>	<b>76,619,909</b>	<b>1,706,787</b>	<b>2,269,061</b>
<b>Total Revenues</b>	<b>162,760,750</b>	<b>168,059,844</b>	<b>1,861,372</b>	<b>3,612,548</b>

Certain amounts in 2010 schedule of changes in net assets have been reclassified to conform to the current year presentation.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2011

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

Changes in Net Assets (continued)  
 For the years ended December 31, 2011 and 2010

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
<b>Program Expenses</b>				
General government support	25,100,533	24,919,644		
Public safety	21,201,230	20,729,035		
Health	2,719,464	2,454,830		
Transportation	25,087,826	26,097,083		
Economic assistance and opportunity	175,190	369,795		
Culture and recreation	16,059,988	15,868,291		
Home and community services	73,770,285	75,738,346	598,415	1,540,608
Interest on debt	5,169,825	5,170,679		
<b>Total Program Expenses</b>	<b>169,284,341</b>	<b>171,347,703</b>	<b>598,415</b>	<b>1,540,608</b>
Change in net assets	(6,523,591)	(3,287,859)	1,262,957	2,071,940
Net assets, beginning of year	100,646,546	103,934,405	5,454,679	3,382,739
Net assets, end of year	<u>\$ 94,122,955</u>	<u>\$ 100,646,546</u>	<u>\$ 6,717,636</u>	<u>\$ 5,454,679</u>

Net assets, from all governmental activities, decreased by \$6,523,591 in the current year.

Key elements of the governmental activities are:

- Overall program revenues decreased by \$6,733,167 from the prior year. Charges for services decreased by \$7,848,963 primarily due to a \$6,364,474 reduction in special assessments for the Garbage District Funds. Operating grants decreased by \$1,536,096 primarily related to a reduction in Community Development Block Grant funding stemming from the timing of certain projects. Capital grants increased \$2,651,892 primarily related to New York State aid received to fund the Wyandanch Sewer Project. General revenues increased \$1,434,073 due to a combination of increased real property taxes (excluding special assessments) of \$2,700,865, a decrease in mortgage tax revenue of \$2,209,710 and an increase in other revenues of \$467,926 related to a refund from a third party for electrical expenses.
- Overall expenses decreased by \$2,063,362, primarily from a reduction in Community Development Block Grant funded projects of \$1,398,738 and a decrease in depreciation expense of \$729,466.

Net Cost of Services for Governmental Activities  
 For the years ended December 31, 2011 and 2010

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2011	2010	2011	2010	2011	2010
General government support	\$ 25,100,533	\$ 24,919,644	\$ 1,888,372	\$ 1,658,784	\$ (23,212,161)	\$ (23,260,860)
Public safety	21,201,230	20,729,035	2,733,182	2,400,240	(18,468,048)	(18,328,795)
Health	2,719,464	2,454,830	546,732	599,641	(2,172,732)	(1,855,189)
Transportation	25,087,826	26,097,083	1,796,073	1,161,869	(23,291,753)	(24,935,214)
Economic assistance and opportunity	175,190	369,795	26,239	30,156	(148,951)	(339,639)
Culture and recreation	16,059,988	15,868,291	4,546,112	4,301,859	(11,513,876)	(11,566,432)
Home and community services	73,770,285	75,738,346	73,170,058	81,287,386	(600,227)	5,549,040
Interest on debt	5,169,825	5,170,679			(5,169,825)	(5,170,679)
	<u>\$ 169,284,341</u>	<u>\$ 171,347,703</u>	<u>\$ 84,706,768</u>	<u>\$ 91,439,935</u>	<u>\$ (84,577,573)</u>	<u>\$ (79,907,768)</u>

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

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

The total cost of all governmental activities this year was \$169,284,341. The net cost of these services after being subsidized by programs revenues of \$84,706,768 was \$84,577,573.

Net assets from the business-type activities increase by \$1,262,957 in the current year due to receipt of an ongoing settlement related to pollution remediation costs from the responsible party.

Key elements of the business-type activities are:

- Business-type activities program revenues decreased \$1,188,902 and program expenses decreased \$942,193 as a result of transferring the operations for providing water services to Suffolk County, NY during October 2010 in accordance with a lease agreement.

**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 a government's net resources available for spending at the end of the year.

The Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. As a result of this implementation, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the Town's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent". Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB Statement No. 54, however, the components of the new fund balance include the following line items:

- **Nonspendable fund balance** - \$27,377,978 (inherently non spendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$20,915,930 (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** - \$35,365,880 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance (deficit)** - (\$12,237,530) (residual net resources) is the remaining fund balance in the General Fund in excess of nonspendable, restricted, and assigned fund balance, of a negative balance of \$10,548,439 and the negative balance of \$1,689,091 in the non-major funds (fund in excess of restricted fund balance).

The implementation of these new components is intended to increase clarity and help service the need of the financial statement users. See Note 2.B for more information.

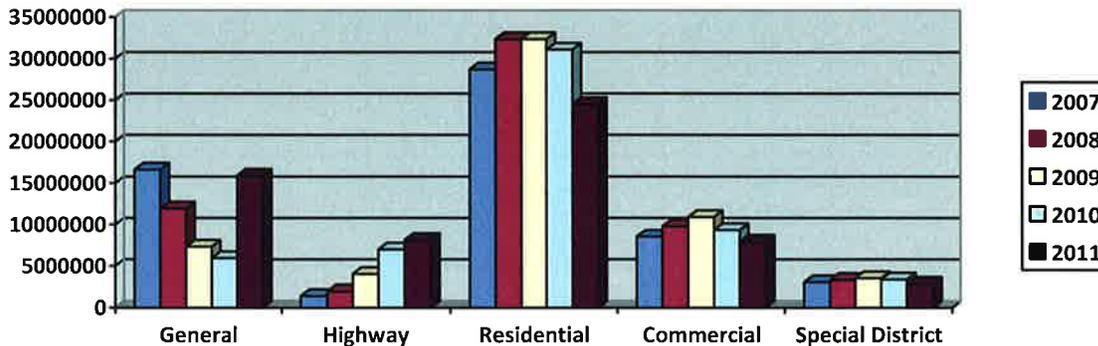
At December 31, 2011, the Town's governmental funds reported total ending fund balances of \$71,422,258 a decrease of \$2,465,984 in comparison with the prior year.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

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

Governmental Funds (continued)

Below is a summary of the Town's major funds' fund balances for 2007 through 2011.



The Town began the year with an anticipated overall \$9,482,217 decrease resulting from the appropriation of fund balance for the 2011 budget. Total revenues decreased slightly from the prior year, the decrease in property taxes (including special assessments) of \$4,141,292 was more than offset by increases in interfund revenue and state and county aid of \$3,098,987 and \$1,918,972, respectively. The increase in interfund revenues is a result of a more precise identification of services the General Fund provided to the two Garbage District Funds. The increase in state and county aid is due to a \$2,239,254 grant received for the Wyandanch sewer expansion project.

Overall, governmental expenditures increased \$8,523,473 due to the increased interfund chargeback for services provided totaling \$3,098,987, a \$1,482,747 increase in the green homes initiative loan program, \$1,979,228 increase in employee benefits primarily relating to insurance benefits (\$1,230,954) and retirement benefits (\$495,621) as well as increases in capital projects activity of \$675,348.

**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 \$15,918,266, increasing \$9,938,480 from the prior year. Of this amount, \$18,016,705 is not in spendable form (property held for resale) and \$8,450,000 is restricted as a portion of future proceeds from the sale of property held for resale which will be restricted for debt service once received. The remaining fund balance is a deficit of \$10,548,439 and is shown as unassigned fund balance.

The key elements of the fund balance increase of \$9,938,480 are as follows:

- General obligation proceeds of \$8,450,000 were received.
- Interfund revenues were \$3,837,751 over budget due to a more precise allocation of services provided to other funds, primarily the two Garbage District Funds.
- State aid was under budget by \$2,913,408 primarily due to a shortfall in mortgage tax revenue resulting from a continuing weak housing market.
- General government support was \$1,315,868 under budget primarily due to unallocated insurance, judgment and claims expenditures which were \$836,412 under budget and general implementation of expenditure reductions providing additional savings of \$479,456.
- Employee benefits were \$803,161 over budget primarily due to increases in health insurance and retirement plan contributions.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

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

Governmental Funds (continued)

**Residential Garbage District Fund**

At the end of the current year, the total fund balance of the Residential Garbage District Fund was \$24,543,591, decreasing \$6,544,682 or 21.05% from the prior year. Of this amount, \$9,111,167 is not in spendable form (long-term receivable from the General Fund). The remaining \$15,432,424 of the fund balance is in spendable form as follows \$8,158,460 has been assigned by the Town Board for the subsequent year's budget, \$13,766 has been assigned for purchase orders by the Town Comptroller and \$7,260,198 is available and assigned for residential garbage district purposes.

The fund balance in the Residential Garbage District Fund decreased by \$6,544,682 from the prior year. This was primarily due to:

- There was an originally planned decrease of \$8,533,034 resulting from the appropriation of fund balance for the 2011 budget.
- Special assessment property taxes decreased \$6,364,474 from the prior year.
- Receipt of federal aid in excess of budgeted amounts totaling \$928,774 relating to an energy efficiency and conservation grant in the amount of \$796,457 and emergency disaster assistance grant in the amount of \$132,317.
- Garbage improvement area expenditures increased \$5,244,782 from the prior year due to an increase in the General Fund's chargeback for services in the amount of \$2,034,895 resulting from a more precise allocation of services provided, a \$1,482,747 increase in the green homes initiative expenditures, as well as increases in Covanta and professional fees. Although actual Garbage improvement area expenditures were \$5,244,782 higher than the prior year, actual expenditures slightly exceeded the budgeted amounts by \$64,172.
- Total expenditures and operating transfers out were \$1,281,150 or 2.96% under final budgeted amounts, primarily as a result of a budgeted \$1,000,000 operating transfer that was not made.

**Commercial Garbage District Fund**

At the end of the current year, the total fund balance of the Commercial Garbage District Fund was \$7,979,791, decreasing \$1,372,878 or 14.68% from the prior year. All of fund balance is in spendable form and is assigned for commercial garbage purposes.

The fund balance in the Commercial Garbage District Fund decreased \$1,372,878 from the prior year. This was primarily due to:

- There was an originally planned decrease of \$332,606 resulting from the appropriation of fund balance for the 2011 budget.
- Special assessment property taxes decreased \$477,683 from the prior year.
- Refuse and garbage fees decreased \$1,762,850 due to the poor economy leading to less refuse and garbage generated by the residents and commercial enterprises within the Town. Actual refuse and garbage fees were \$773,737 lower than budgeted amounts.
- Garbage improvement area expenditures increased \$1,710,672 as a result of increased fees associated with disposition of the refuse and garbage. Although actual expenditures increased \$1,710,672 from the prior year, the actual 2011 expenditures exceeded the 2011 final budget by \$1,123,831.
- A budgeted operating transfer of \$1,000,000 was not made.
- Total expenditures including operating transfer out, exceeded budgeted amounts by \$313,921 or 1.27%.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

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

Governmental Funds (continued)

**Combined Highway Fund**

At the end of the current year, the total fund balance of the Combined Highway Fund was \$8,148,136, increasing \$1,133,762, or 16.16%, from the prior year. This balance of \$8,148,136 is in spendable form as follows: \$1,713,065 has been assigned by the Town Board for the subsequent year's budget \$9,715 has been assigned for purchase orders by the Town Comptroller and the remaining \$6,425,356 is assigned for highway purposes.

The fund balance increased in the Combined Highway Fund by \$1,133,762 from the prior year. This was primarily due to:

- Total revenues increased \$398,259 from the prior year, primarily due to \$506,746 federal emergency disaster assistance grant received.
- Transportation expenditures increased \$298,233 from the prior year. This is primarily a result of increases in road repairs and maintenance as well as road improvements costs.
- Employee benefits expenditures increased \$275,479 from the prior year, primarily due to increased health insurance costs and retirement plan contributions.
- Total expenditures were \$309,654 or 1.66% under final budgeted amounts.

**Special Districts Fund**

At the end of the current year, the total fund balance of the Special Districts Fund was \$2,911,570, a decrease of \$492,135, or 14.46%, from the prior year. Of this amount, \$247,606 is not in spendable form (prepaid items). Of the remaining balance, \$706,792 has been assigned by the Town Board for the subsequent year's budget and the \$1,957,172 is assigned for special districts fund purposes.

The fund balance decreased in the Special District Fund by \$492,135 from the prior year. This was primarily due to:

- There had been an originally planned decrease of \$484,699 resulting from the appropriation of fund balance for the 2011 budget with the goal to minimize tax increases for 2011.
- Total revenues of \$15,175,057 remained consistent with the 2010 revenues of \$15,213,023.
- Fire protection costs increased \$264,363 or 1.89% from the prior year and the 2011 actual expenditures were slightly under the final budget in the amount of \$76,088.
- Ambulance districts expenditures increased by \$52,322 or 4.06% from the prior year and the 2011 actual expenditures were consistent with budgeted amounts.

**Capital Projects Fund**

At the end of the current year, the Capital Projects Fund had a total fund balance of \$8,398,262. Of this amount \$7,272,203 was restricted to specific capital project expenditures and \$1,126,059 is assigned for capital project purposes.

The fund balance decreased in the Capital Projects Fund by \$3,354,249 or 28.54% 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, 2011

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

Governmental Funds (continued)

**Non-major Governmental Funds**

The net change in fund balances was a decrease of \$1,774,282.

- There was an originally planned decrease of \$131,878 to order to minimize tax increases in 2011.
- The Part-Town Funds fund balance was a deficit of \$1,487,200 at December 31, 2011, which is a decrease of \$1,619,078 from the prior year. Overall, total expenditures were \$6,675,577 for 2011 and increase of \$479,302 or 7.73% from the prior year. The increase is attributable to additional costs incurred related to the Wyandanch Rising Redevelopment Initiative as well as increased costs related to employee benefits, primarily health insurance and retirement plan contributions. Actual expenditures of \$6,675,577 exceeded the final budget by \$334,766 or 5.28%.
- Total revenues in the Part-Town Fund of \$5,056,499 increased \$659,804 or 15.01% from the prior year and were fairly consistent with budgeted amounts. The increase is primarily related to a \$403,035 or 21.93% increase in safety inspection fees.
- The Culture and Recreation Funds fund balance was \$741,716 at December 31, 2011 which is a decrease of \$436,600 from the prior year. This decrease is primarily a result of a transfer out to finance specific capital projects in the amount of \$323,699.

**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, 2011 and 2010, the amount of the change and percentage change in relation to the prior year.

	2011	2010	\$ Change	% Change
<b>Revenues (in Millions)</b>				
Real property taxes	\$89.3	\$93.5	-\$4.2	-4.49%
Other real property tax items	7.7	7.6	0.1	1.32%
Non-property tax items	3.4	3.3	0.1	3.03%
Department income	28.6	29.6	-1.0	-3.38%
Use of money and property	1.5	1.4	0.1	7.14%
Licenses and permits	0.3	0.3	0.0	0.00%
Fines and forfeitures	1.2	1.0	0.2	20.00%
Sale of property and compensation for loss	1.3	1.2	0.1	8.33%
Interfund revenue	4.7	1.6	3.1	193.75%
Miscellaneous local sources	1.3	1.1	0.2	18.18%
State and County aid	10.0	8.1	1.9	23.46%
Federal aid	18.3	19.0	-0.7	-3.68%
<b>Total Governmental Fund Revenues</b>	<b>\$167.6</b>	<b>\$167.7</b>	<b>-\$0.1</b>	<b>-0.06%</b>
<b>Expenses (in Millions)</b>				
General government support	\$15.2	\$15.0	\$0.2	1.33%
Public safety	18.3	17.9	0.4	2.23%
Health	3.4	3.3	0.1	3.03%
Transportation	8.8	8.6	0.2	2.33%
Economic assistance and opportunity	0.2	0.3	-0.1	-33.33%
Culture and recreation	10.2	9.4	0.8	8.51%
Home and community services	77.4	71.9	5.5	7.65%
Employee benefits	16.1	14.1	2.0	14.18%
Capital outlay	14.7	14.1	0.6	4.26%
Debt Service:				
Principal	16.5	15.8	0.7	4.43%
Interest	5.3	7.1	-1.8	-25.35%
Bond issuance costs	0.1	0.1	0.0	0.00%
<b>Total Governmental Fund Expenses</b>	<b>\$186.2</b>	<b>\$177.6</b>	<b>\$8.6</b>	<b>4.84%</b>

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2011

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

Governmental Funds (continued)

**Summary of All Governmental Funds Revenues and Expenditures** (continued)

Certain amounts reported in the above schedule governmental funds revenues and expenditures for 2010 have been reclassified for comparative purposes to conform to the current year presentation.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the 2011 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year there was a \$13,500 increase (0.03%) increase in the appropriations between the original and final amended budget. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of final budgets and actual amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town investment in capital assets for its governmental type activities as of December 31, 2011, amounts to \$230,542,897 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

In 2011, the Town of Babylon's major capital expenditures were as follows:

Highway resurfacing and equipment	\$ 6,481,034
Sewer system expansion	4,496,966
Wyandanch Transit Facility	978,099

Capital Assets at December 31, 2011 and 2010  
 (Net of Depreciation)

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land	\$ 24,470,676	\$ 24,467,198	\$ 194,964	\$ 194,964
Construction in progress	26,322,707	19,420,895	4,090,186	2,550,015
Building and improvements	47,743,200	49,899,763	553,716	579,997
Machinery and equipment	11,449,816	12,541,489	29,018	33,588
Infrastructure	120,556,498	126,496,423	1,838,814	1,890,510
<b>Totals</b>	<b>\$230,542,897</b>	<b>\$232,825,768</b>	<b>\$ 6,706,698</b>	<b>\$ 5,249,074</b>

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.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2011

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

**Long-Term Debt**

At the end of the current year, the Town has total long-term bonded debt outstanding of \$131,964,998. The entire debt is backed by the full faith and credit of the Town. The Town also has \$630,000 outstanding in mortgage notes payable.

**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds payable	\$ 128,692,658	\$ 110,536,660	\$ 127,340	\$ 193,340	\$ 128,819,998	\$ 110,730,000
Revolving fund revenue bonds payable	3,145,000	6,185,000			3,145,000	6,185,000
Bond anticipation note		15,305,000				15,305,000
Mortgage notes payable	630,000	795,000			630,000	795,000
	<u>\$ 132,467,658</u>	<u>\$ 132,821,660</u>	<u>\$ 127,340</u>	<u>\$ 193,340</u>	<u>\$ 132,594,998</u>	<u>\$ 133,015,000</u>

In 2011 the Town's total debt decreased by \$420,002 or 0.32% which is a net change in the debt retired and new borrowings.

In 2011 Standard and Poor's Corporation reaffirmed the Town's credit rating of AA+, Moody's Investors Service, Inc. reaffirmed the Town's underlying rating of Aa2 and Fitch Ratings reaffirmed the Town's credit rating of AA-.

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 \$1,727,632,161. The percentage of debt contracting exhausted at December 31, 2011 was 7.7% of the current debt limitation.

Additional information on the Town's debt activity can be found in Note 3.D 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 2012 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 2012 budget lines.
- Revenues are subject to regional economic trends and the Town anticipates a decline in mortgage tax revenue and interest earnings on deposited funds. However, the effects of this will be more than offset by the General Fund's tax rate increase which generated approximately \$2.1 million additional revenue. As a result, the Town is expecting the General Fund's fund balance to increase at the close of 2012.

**TOWN OF BABYLON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2011

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES** (continued)

- Chapter 97 of the Laws of 2011 (the "Tax Cap Law") was enacted on June 24, 2011. The Tax Cap Law limits annual increases of the Town's overall real property tax to no more than the lesser of 2% or the rate of inflation. The Tax Cap law takes effect with the 2012 budget year. Certain increases to the tax levy are excluded from the limitations imposed by the Tax Cap Law including exclusions for certain expenditures for retirement system contributions and tort judgments payable by the Town. In addition, the Town Board may override the limitations if the Town Board enacts, by vote of at least sixty percent of the voting power of the Town Board, and adoption of a local law to override such limit for the upcoming budget year. The Tax Cap Law does not provide exclusion for debt service on general obligations issued by the Town.

**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 ASSETS**  
 December 31, 2011

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 88,577,756	\$ 3,616,579	\$ 92,194,335	\$ 1,571,711
Cash with fiscal agent	3,157,750		3,157,750	
Accounts receivable, net of allowance and long-term portion	6,784,453	1,000	6,785,453	317,182
Taxes receivable	34,277,050		34,277,050	
Due from business-type activities	25,833		25,833	
Due from other governments	9,119,004		9,119,004	
Prepaid items	845,447		845,447	
Restricted cash	216,977		216,977	
Property held for resale	1,042,204		1,042,204	
Total Current Assets	<u>144,046,474</u>	<u>3,617,579</u>	<u>147,664,053</u>	<u>1,888,893</u>
<b>Noncurrent Assets:</b>				
Accounts receivable, non-current portion	12,300,145		12,300,145	
Property held for resale	26,466,705		26,466,705	
Deferred financing costs	541,736		541,736	
Non-depreciable capital assets	50,793,383	4,285,150	55,078,533	
Capital assets, net of accumulated depreciation	<u>179,749,514</u>	<u>2,421,548</u>	<u>182,171,062</u>	
Total Noncurrent Assets	<u>269,851,483</u>	<u>6,706,698</u>	<u>276,558,181</u>	<u>-0-</u>
<b>Total Assets</b>	<u>413,897,957</u>	<u>10,324,277</u>	<u>424,222,234</u>	<u>1,888,893</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	15,834,727	248,889	16,083,616	84,295
Accrued interest payable	1,331,081		1,331,081	
Developer and homeowner deposits		5,605	5,605	
Due to governmental activities		25,833	25,833	
Due to other governments	1,604,857		1,604,857	846,992
Unearned revenues	79,969,074	75,000	80,044,074	
Other liabilities				150,000
Noncurrent liabilities due within one year:				
Bonds payable	19,142,813	66,000	19,208,813	
Mortgage notes payable	105,000		105,000	
Due to employees' retirement system	541,121		541,121	
Compensated absences	3,075,000		3,075,000	
Claims and judgments payable	580,344		580,344	
Estimated liability for landfill closure and post closure care costs	<u>3,433,010</u>		<u>3,433,010</u>	
Total Current Liabilities	<u>125,617,027</u>	<u>421,327</u>	<u>126,038,354</u>	<u>1,081,287</u>
<b>Noncurrent Liabilities:</b>				
Unearned revenues	4,506,143	2,837,500	7,343,643	
Due to other governments	7,415,682		7,415,682	
Bonds payable	114,537,743	61,340	114,599,083	
Mortgage notes payable	525,000		525,000	
Due to employees' retirement system	2,345,262		2,345,262	
Compensated absences	1,688,774		1,688,774	
Claims and judgments payable	6,830,287		6,830,287	
Estimated liability for landfill closure and post closure care costs	21,832,157		21,832,157	
Other postemployment benefits payable	<u>34,476,927</u>	<u>286,474</u>	<u>34,763,401</u>	<u>366,734</u>
Total Noncurrent Liabilities	<u>194,157,975</u>	<u>3,185,314</u>	<u>197,343,289</u>	<u>366,734</u>
<b>Total Liabilities</b>	<u>319,775,002</u>	<u>3,606,641</u>	<u>323,381,643</u>	<u>1,448,021</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	112,042,627	6,579,358	118,621,985	
Restricted - Home and community services	4,707,844		4,707,844	
Capital projects	7,272,203		7,272,203	
Culture and recreation	485,883		485,883	
Unrestricted	<u>(30,385,602)</u>	<u>138,278</u>	<u>(30,247,324)</u>	<u>440,872</u>
<b>Total Net Assets</b>	<u>\$ 94,122,955</u>	<u>\$ 6,717,636</u>	<u>\$ 100,840,591</u>	<u>\$ 440,872</u>

See notes to the financial statements.

**TOWN OF BABYLON**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF ACTIVITIES**  
 Year Ended December 31, 2011

Function/ Program	Expenses	Program Revenues			Total Program Revenues	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>									
Governmental Activities:									
General government support	\$ 25,100,533	\$ 1,888,372			\$ 1,888,372	\$ (23,212,161)		\$ (23,212,161)	
Public safety	21,201,230	2,720,397	\$ 1,102	\$ 11,683	2,733,182	(18,468,048)		(18,468,048)	
Health	2,719,464	15,838	530,894		546,732	(2,172,732)		(2,172,732)	
Transportation	25,087,826	50,810	554,924	1,190,339	1,796,073	(23,291,753)		(23,291,753)	
Economic assistance and opportunity	175,190		26,239		26,239	(148,951)		(148,951)	
Culture and recreation	16,059,988	2,862,942	1,528,280	154,890	4,546,112	(11,513,876)		(11,513,876)	
Home and community services	73,770,285	53,241,078	16,061,133	3,867,847	73,170,058	(600,227)		(600,227)	
Interest on debt	5,169,825					(5,169,825)		(5,169,825)	
Total Governmental Activities	169,284,341	60,779,437	18,702,572	5,224,759	84,706,768	(84,577,573)	\$ -0-	(84,577,573)	
Business-type Activities:									
Water	598,415	154,585			154,585		(443,830)	(443,830)	
Total Business-type Activities	598,415	154,585	-0-	-0-	154,585	-0-	(443,830)	(443,830)	
Total Primary Government	\$ 169,882,756	\$ 60,934,022	\$ 18,702,572	\$ 5,224,759	\$ 84,861,353	\$ (84,577,573)	\$ (443,830)	\$ (85,021,403)	
<b>COMPONENT UNIT:</b>									
Economic assistance and opportunity	\$ 665,321								\$ (665,321)
Total Component Unit	\$ 665,321								\$ (665,321)
<b>GENERAL REVENUES:</b>									
Real property taxes						\$ 59,397,047		\$ 59,397,047	
Other real property tax items						7,725,054		7,725,054	\$ 648,935
Non-property tax items						3,446,986		3,446,986	
Interest earnings						764,865	\$ 3,322	768,187	7,292
Sale of property and compensation for loss						1,322,176	1,540,171	2,862,347	
Mortgage tax						3,546,949		3,546,949	
State aid						1,115,650		1,115,650	
Other						735,255	163,294	898,549	110,993
Total General Revenues						78,053,982	1,706,787	79,760,769	767,220
<b>Change in Net Assets</b>						(6,523,591)	1,262,957	(5,260,634)	101,899
<b>Net Assets at Beginning of Year</b>						100,646,546	5,454,679	106,101,225	338,973
<b>Net Assets at End of Year</b>						\$ 94,122,955	\$ 6,717,636	\$ 100,840,591	\$ 440,872

**TOWN OF BABYLON**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2011

MAJOR FUNDS

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Combined Highway Fund	Capital Projects Fund	Special Districts Fund	Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 14,862,516	\$ 18,470,192	\$ 11,756,413	\$ 13,024,729	\$ 11,797,064	\$ 10,892,893	\$ 80,803,807	\$ 7,773,949	\$ 88,577,756
Cash with fiscal agent	1,284,573	10,736	9,789	1,837,811			3,142,909	14,841	3,157,750
Accounts receivable	1,589,060	6,400,145	3,481,287	18,534			11,489,026	7,595,572	19,084,598
Taxes receivable	14,988,371			9,039,916		8,190,411	32,218,698	2,058,352	34,277,050
Due from other funds	3,858,945	20,648,874		447,355	33,708		24,988,882	7,503	24,996,385
Due from other governments	3,110,955	331,430		643,997	4,194,642		8,281,024	837,980	9,119,004
Prepaid items						247,606	247,606	2,500	250,106
Restricted cash								216,977	216,977
Property held for resale	26,466,705						26,466,705	1,042,204	27,508,909
<b>Total Assets</b>	<b>\$ 66,161,125</b>	<b>\$ 45,861,377</b>	<b>\$ 15,247,489</b>	<b>\$ 25,012,342</b>	<b>\$ 16,025,414</b>	<b>\$ 19,330,910</b>	<b>\$ 187,638,657</b>	<b>\$ 19,549,878</b>	<b>\$ 207,188,535</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 2,236,869	\$ 4,943,545	\$ 1,078,075	\$ 301,270	\$ 6,088,360	\$ 218,344	\$ 14,866,463	\$ 751,288	\$ 15,617,751
Due to other funds	17,630,466	123,008	2,729,347	335,331	1,538,792		22,356,944	2,613,608	24,970,552
Due to other governments	6,366			13,737		1,510,789	1,530,892	7,489,646	9,020,538
Deferred revenue	30,369,158	16,251,233	3,460,276	16,213,868		14,690,207	80,984,742	4,955,717	85,940,459
Liabilities payable from restricted cash								216,977	216,977
<b>Total Liabilities</b>	<b>50,242,859</b>	<b>21,317,786</b>	<b>7,267,698</b>	<b>16,864,206</b>	<b>7,627,152</b>	<b>16,419,340</b>	<b>119,739,041</b>	<b>16,027,236</b>	<b>135,766,277</b>
<b>FUND BALANCES</b>									
Nonspendable	18,016,705	9,111,167				247,606	27,375,478	2,500	27,377,978
Restricted	8,450,000				7,272,203		15,722,203	5,193,727	20,915,930
Assigned		15,432,424	7,979,791	8,148,136	1,126,059	2,663,964	35,350,374	15,506	35,365,880
Unassigned	(10,548,439)						(10,548,439)	(1,689,091)	(12,237,530)
<b>Total Fund Balances</b>	<b>15,918,266</b>	<b>24,543,591</b>	<b>7,979,791</b>	<b>8,148,136</b>	<b>8,398,262</b>	<b>2,911,570</b>	<b>67,899,616</b>	<b>3,522,642</b>	<b>71,422,258</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 66,161,125</b>	<b>\$ 45,861,377</b>	<b>\$ 15,247,489</b>	<b>\$ 25,012,342</b>	<b>\$ 16,025,414</b>	<b>\$ 19,330,910</b>	<b>\$ 187,638,657</b>	<b>\$ 19,549,878</b>	<b>\$ 207,188,535</b>

**TOWN OF BABYLON**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

**Total Fund Balance - Governmental Funds** \$ 71,422,258

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

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

Capital assets - non-depreciable	\$ 50,793,383	
Capital assets - depreciable	495,923,835	
Accumulated depreciation	<u>(316,174,321)</u>	
		230,542,897

Prepaid retirement expenses are included in the Statement of Net Assets, since the payment made in the current year is through March 31st of the subsequent year. 595,341

Deferred financing costs are included in the Statement of Net Assets. 541,736

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 Assets:

Bonds payable, inclusive of related premiums	(133,680,556)	
Mortgage notes payable	(630,000)	
Due to employees' retirement system	(2,886,383)	
Compensated absences	(4,763,774)	
Claims and judgments payable	(7,410,631)	
Estimated liability for landfill closure and post closure care costs	(25,265,167)	
Other postemployment benefits payable	<u>(34,476,927)</u>	
		(209,113,438)

Interest 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 Assets. (1,331,081)

Revenue that was deferred or not reported on the fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Assets. 1,465,242

**Net Assets of Governmental Activities** \$ 94,122,955

**TOWN OF BABYLON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 Year Ended December 31, 2011

	MAJOR FUNDS						Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Combined Highway Fund	Capital Projects Fund	Special Districts Fund			
<b>REVENUES</b>									
Real property taxes	\$ 24,731,413	\$ 23,099,413	\$ 6,822,184	\$ 17,344,688		\$ 14,587,027	\$ 86,584,725	\$ 2,733,919	\$ 89,318,644
Other real property tax items	1,001,367	5,482,264		570,164		584,892	7,638,687	86,366	7,725,053
Non-property tax items	3,446,986						3,446,986		3,446,986
Departmental income	2,664,834	5,785,696	16,667,403				25,117,933	3,484,467	28,602,400
Use of money and property	1,267,309	133,892	14,376	14,806	\$ 19,515	3,138	1,453,036	7,767	1,460,803
Licenses and permits	250,459			50,810			301,269		301,269
Fines and forfeitures	1,211,797						1,211,797		1,211,797
Sale of property and compensation for loss	1,222,826		52,575				1,275,401		1,275,401
Interfund revenue	4,687,751						4,687,751		4,687,751
Miscellaneous local sources	895,230	3,950	708	43,097			942,985	318,590	1,261,575
State and County aid	4,295,092	13,624	10,000	951,781	2,931,590		8,202,087	1,760,992	9,963,079
Federal aid	564,290	928,774		506,746	560,137		2,559,947	15,721,796	18,281,743
<b>Total Revenues</b>	<b>46,239,354</b>	<b>35,447,613</b>	<b>23,567,246</b>	<b>19,482,092</b>	<b>3,511,242</b>	<b>15,175,057</b>	<b>143,422,604</b>	<b>24,113,897</b>	<b>167,536,501</b>
<b>EXPENDITURES</b>									
Current:									
General government support	14,828,873						14,828,873	345,287	15,174,160
Public safety	1,373,479						15,598,745	2,688,321	18,287,066
Health	1,835,994						3,177,616	240,704	3,418,320
Transportation				7,016,403			7,016,403	1,744,888	8,761,291
Economic assistance and opportunity	174,795						174,795	31,840	206,635
Culture and recreation	9,683,141						9,683,141	469,465	10,152,606
Home and community services	825,942	38,073,476	21,294,354			100,304	60,294,076	17,122,170	77,416,246
Employee benefits	9,968,941	375,374	284,572	2,903,027			13,531,914	2,591,995	16,123,909
Capital Outlay					14,725,206		14,725,206		14,725,206
Debt Service:									
Principal	4,265,983	3,155,086	2,995,054	5,808,971			16,225,094	243,908	16,469,002
Interest	1,883,393	388,359	366,144	2,588,477			5,226,373	85,188	5,311,561
Bond issuance costs	44,355			35,483			79,838	806	80,644
<b>Total Expenditures</b>	<b>44,884,896</b>	<b>41,992,295</b>	<b>24,940,124</b>	<b>18,352,361</b>	<b>14,725,206</b>	<b>15,667,192</b>	<b>160,562,074</b>	<b>25,564,572</b>	<b>186,126,646</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,354,458</b>	<b>(6,544,682)</b>	<b>(1,372,878)</b>	<b>1,129,731</b>	<b>(11,213,964)</b>	<b>(492,135)</b>	<b>(17,139,470)</b>	<b>(1,450,675)</b>	<b>(18,590,145)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from debt issuance	8,450,000				7,665,000		16,115,000		16,115,000
Premium on debt issuance	5,038			4,031			9,069	92	9,161
Operating transfers in	307,056				501,771		808,827		808,827
Operating transfers out	(178,072)				(307,056)		(485,128)	(323,699)	(808,827)
<b>Total Other Financing Sources (Uses)</b>	<b>8,584,022</b>	<b>-0-</b>	<b>-0-</b>	<b>4,031</b>	<b>7,859,715</b>	<b>-0-</b>	<b>16,447,768</b>	<b>(323,607)</b>	<b>16,124,161</b>
<b>Net Change in Fund Balance</b>	<b>9,938,480</b>	<b>(6,544,682)</b>	<b>(1,372,878)</b>	<b>1,133,762</b>	<b>(3,354,249)</b>	<b>(492,135)</b>	<b>(691,702)</b>	<b>(1,774,282)</b>	<b>(2,465,984)</b>
<b>Fund Balances at Beginning of Year</b>	<b>5,979,786</b>	<b>31,088,273</b>	<b>9,352,669</b>	<b>7,014,374</b>	<b>11,752,511</b>	<b>3,403,705</b>	<b>68,591,318</b>	<b>5,296,924</b>	<b>73,888,242</b>
<b>Fund Balances at End of Year</b>	<b>\$ 15,918,266</b>	<b>\$ 24,543,591</b>	<b>\$ 7,979,791</b>	<b>\$ 8,148,136</b>	<b>\$ 8,398,262</b>	<b>\$ 2,911,570</b>	<b>\$ 67,899,616</b>	<b>\$ 3,522,642</b>	<b>\$ 71,422,258</b>

**TOWN OF BABYLON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2011

**Net Change in Fund Balance** \$ (2,465,984)

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 depreciation expense exceeds capital outlay in the current period is:

Capital outlay	\$ 15,928,466	
Depreciation expense	(17,609,687)	
Loss on dispositions	(601,650)	
	<u>                    </u>	(2,282,871)

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. (110,586)

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 deferred in the fund statements. 512,819

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 assets. Also, governmental funds report the effect of issuance cost, 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	(16,115,000)	
Premium on bonds issued	(9,161)	
Repayment of bond principal	16,304,002	
Bond issuance cost	80,644	
Amortization of bond premiums	243,693	
Amortization of deferred charges	(59,780)	
Repayment of mortgage principal	165,000	
Employees' retirement system	(107,216)	
Compensated absences	424,032	
Claims and judgments	457,683	
Estimated liability for landfill closure and post closure care costs	2,402,119	
Other postemployment benefits payable	(5,901,743)	
	<u>                    </u>	(2,115,727)

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. (61,242)

**Change in Net Assets of Governmental Activities** \$ (6,523,591)

**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF NET ASSETS  
ENTERPRISE FUND  
December 31, 2011

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 3,616,579
Accounts receivable, net of allowance	<u>1,000</u>
Total Current Assets	3,617,579

**Noncurrent Assets:**

Capital assets, net of accumulated depreciation	<u>6,706,698</u>
Total Assets	<u>10,324,277</u>

**LIABILITIES**

**Current Liabilities:**

Accounts payable and accrued liabilities	248,889
Developer and homeowner deposits	5,605
Unearned revenues	75,000
Due to other funds	25,833
General obligation bonds	<u>66,000</u>
Total Current Liabilities	421,327

**Noncurrent Liabilities:**

General obligation bonds	61,340
Unearned revenues	2,837,500
Other postemployment benefits payable	<u>286,474</u>
Total Noncurrent Liabilities	3,185,314

Total Liabilities	<u>3,606,641</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	6,579,358
Unrestricted	<u>138,278</u>

Total Net Assets	<u><u>\$ 6,717,636</u></u>
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**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND  
Year Ended December 31, 2011

**OPERATING REVENUES**

Charges and fees	\$ 79,585
Rental income from water plant	75,000
Total Operating Revenues	<u>154,585</u>

**OPERATING EXPENSES - HOME AND COMMUNITY**

Retiree benefits	150,416
Utilities	11,230
Management fee	284,925
Professional fees	10,000
Administration fees	25,833
Depreciation	82,547
Other	26,201
Total Operating Expenses	<u>591,152</u>
Loss from Operations	<u>(436,567)</u>

**NON-OPERATING REVENUE (EXPENSE)**

Rental income from cell tower rentals	163,294
Interest income	3,322
Settlement - remediation revenues	1,540,171
Interest expense	(7,263)
Total Non-Operating Revenue (Expense)	<u>1,699,524</u>

**Change in Net Assets**

1,262,957

**Net Assets - Beginning of Year**

5,454,679

**Net Assets - End of Year**

\$ 6,717,636

**TOWN OF BABYLON**  
EAST FARMINGDALE WATER DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
Year Ended December 31, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 186,052
Cash paid to suppliers and others	(1,026,934)
Cash paid on behalf of retirees	(177,191)
	<u>(1,018,073)</u>
Net Cash Used for Operating Activities	<u>(1,018,073)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(1,540,171)
Principal paid on serial bonds	(66,000)
Settlement received for pollution remediation costs	1,540,171
Interest paid on serial bonds	(8,417)
	<u>(74,417)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(74,417)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Rental income from cell towers	163,294
Interest income	3,322
	<u>166,616</u>
Net Cash Provided by Investing Activities	<u>166,616</u>

Net decrease in cash and cash equivalents	(925,874)
Cash and cash equivalents at January 1, 2011	4,542,453
Cash and Cash Equivalents at December 31, 2011	<u>\$ 3,616,579</u>

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

Loss from operations	\$ (436,567)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation expense	82,547
(Increase) decrease in:	
Accounts receivable	106,467
Prepaid expenses	14,748
Increase (decrease) in:	
Accounts payable and accrued liabilities	(540,508)
Accrued interest payable	(1,155)
Deferred revenue	(75,000)
Due to other funds	(127,082)
Other postemployment benefits payable	(41,523)
	<u>(1,018,073)</u>
Net Cash Used for Operating Activities	<u>\$ (1,018,073)</u>

**TOWN OF BABYLON**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
December 31, 2011

**ASSETS**

Cash

\$ 50,442,602

Total Assets \$ 50,442,602

**LIABILITIES**

Due to school districts

\$ 44,523,157

Due to fire districts

2,691,077

Due to other Counties for tuition tax

821,617

Agency fund liabilities

2,406,751

Total Liabilities \$ 50,442,602

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Babylon (the "Town") which was established in 1872 is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor 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 as set forth in GASB Statement No. 14, as amended by GASB Statement No. 39.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, 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 Unit:*

The Town of Babylon Industrial Development Agency (the "Agency") is a public benefit corporation created by the New York State Legislature by Article 18-A of the General Municipal law under Section 907A. The Agency was created to promote the economic welfare, recreation opportunities and prosperity of the Town of Babylon's residents. Its members shall be appointed by the governing body of the Town of Babylon.

The Town of Babylon Industrial Development Agency is a component unit of the Town and it is discretely presented.

Complete financial statements of the Town of Babylon Industrial Development Agency can be obtained by contacting:

The Town of Babylon Industrial Development Agency  
57 West Sunrise Highway  
Lindenhurst, New York 11757

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**A. REPORTING ENTITY** (continued)

*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, as required by GASB Statement No. 14, as amended by GASB Statement No. 39, on 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.
- 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 operating space and equipment for Human & Therapeutic Services.
- 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 acquires equipment and provides operating space and real property for Senior Citizens Community Services.

Complete financial statements of the individual 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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**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 Assets 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 discretely presented component unit. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

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

Separate financial statements are provided for governmental funds, 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, liabilities, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. The focus of the governmental funds financial statements is on the major funds. Accordingly, the Town maintains the following fund types:

**Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. 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 financial resources to be used for the acquisition or construction of major capital facilities.

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

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

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

Other Special Revenue Fund – The 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 Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets 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) are included on the statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets.

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.G.

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

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 post-closure care costs, pollution remediation obligations and other postemployment benefits are recorded when payment is due.

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.

Propriety 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 other 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.

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

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**1. CASH AND CASH EQUIVALENTS**

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less 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, special time deposit accounts and certificates of deposit are carried at cost. The Town has no investments at December 31, 2011.

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. Receivables relating to business-type activities primarily consist of amounts due from residents and other entities for services rendered. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred and are recorded net of an allowance of approximately \$342,000 which relates to business activities.

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

In the statement of net assets, receivables are reported as current and or noncurrent based on the expected timing of repayment. The noncurrent accounts receivable consists primarily of amounts due under the Long Island Green Homes Initiative Program, federal rehabilitation mortgages receivable, and other miscellaneous receivables not expected to be collected in the subsequent year. The Long Island Green Homes loans bear interest at 3%, are secured by liens on real property and are payable in monthly installments through November 2022.

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 an expenditure in that fund.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

**2. RECEIVABLES** (continued)

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.

Long-term advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds statements to indicate that it is not available for appropriation and are not expendable available financial resources.

**3. PREPAIDS**

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

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

**4. CAPITAL ASSETS**

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

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

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

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.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

**6. UNEARNED REVENUE/ DEFERRED REVENUE**

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

Deferred revenues relating to governmental-type activities consists primarily of the 2012 real estate taxes, lease income received in advance, 2012 licenses, and accrual of mortgage tax revenue.

The East Farmingdale Water District's unearned revenue is comprised of lease income received in advance and is being amortized over the lease term.

**7. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, due to employees' retirement system, judgments and claims, liability for landfill closure and post closure care costs, pollution remediation, and other postemployment benefits ("OPEB") are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

**8. NET ASSETS AND FUND EQUITY CLASSIFICATION**

In the government-wide financial statements equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt – 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 invested in capital assets, net of related debt.
- b) Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

**8. NET ASSETS AND FUND EQUITY CLASSIFICATION** (continued)

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions* has been implemented by the Town. GASB Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources rather than availability for appropriation. The fund balance section of the governmental funds balance sheets have been modified accordingly. Not all of the Town's funds will necessarily have all of the components of fund balance available to that fund. The implementation of these new components is intended to increase clarity and help serve the needs of the financial statements users.

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

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

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

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

**1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES** (continued)

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

**2. OTHER POSTEMPLOYMENT BENEFITS**

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

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

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for these other postemployment benefits payable is recorded as long-term debt in both the government-wide and proprietary fund statements. The current year increase in the liability is based upon the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

**3. COMPENSATED ABSENCES**

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

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

**F. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds, excluding the Housing Assistance and Community Development Agencies. 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.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**G. USE OF ESTIMATES**

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

**H. NEW PRONOUNCEMENTS**

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2011, the Town adopted:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

**I. SUBSEQUENT EVENTS**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

- a) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1<sup>st</sup>.
- b) On or before September 30<sup>th</sup> (October 30<sup>th</sup> for the Town's Special and Garbage District funds), each department, officer or district submits a detailed budget request to the Comptroller, who then prepares a tentative budget, which is submitted to the Town Clerk. The tentative budget includes proposed expenditures and the proposed means of financing the entire Town's governmental, special revenue, and proprietary funds, with the exception of the blended component units, the Housing Assistance and Community Development Agency Funds and Capital Projects Fund, for which legally adopted budgets are not required.
- c) After public hearings are conducted to obtain taxpayer comments and no later than November 20<sup>th</sup>, the Town Board adopts the budget. All modifications of the budget must be approved by the Town Board. However, the Comptroller is authorized to transfer certain budgeted amounts within departments.
- d) Budgets for the General and certain Special Revenue Funds are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects, Housing Assistance and Community Development Agency Funds are budgeted on a project or grant basis.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**B. FUND EQUITY**

**FUND BALANCE**

In order to comply with the GASB Statement No. 54, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the Town's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent" (GASB Statement No. 54 paragraph 54). Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB Statement No. 54 however, the components of the new fund balance include the following items, as needed: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

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

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Combined Highway Fund	Capital Projects Funds	Special District Fund	Other Governmental Funds	Total
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Long-term receivables		\$ 9,111,167						\$ 9,111,167
Property held of resale	\$ 18,016,705							18,016,705
Prepaid items						\$ 247,606	\$ 2,500	250,106
<b>Total Nonspendable</b>	<b>18,016,705</b>	<b>9,111,167</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>247,606</b>	<b>2,500</b>	<b>27,377,978</b>
<b>Restricted for:</b>								
Property held of resale	8,450,000							8,450,000
Capital projects					7,272,203			7,272,203
Grantors and donors restrictions							5,193,727	5,193,727
<b>Total Restricted</b>	<b>8,450,000</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>7,272,203</b>	<b>-0-</b>	<b>5,193,727</b>	<b>20,915,930</b>
<b>Assigned to:</b>								
Subsequent year's budget		8,158,460		1,713,065		706,792		10,578,317
Capital projects					1,126,059			1,126,059
Purchases on order or contractual obligations		13,766		9,715				23,481
Special revenue funds		7,260,198	7,979,791	6,425,356		1,957,172	15,506	23,638,023
<b>Total Assigned</b>	<b>-0-</b>	<b>15,432,424</b>	<b>7,979,791</b>	<b>8,148,136</b>	<b>1,126,059</b>	<b>2,663,964</b>	<b>15,506</b>	<b>35,365,880</b>
<b>Unassigned, reported in</b>								
General Fund	(10,548,439)							(10,548,439)
Part Town Fund							(1,487,200)	(1,487,200)
Lighting District Fund							(201,891)	(201,891)
<b>Total Unassigned</b>	<b>(10,548,439)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(1,689,091)</b>	<b>(12,237,530)</b>
<b>Total Fund Balances</b>	<b>\$ 15,918,266</b>	<b>\$ 24,543,591</b>	<b>\$ 7,979,791</b>	<b>\$ 8,148,136</b>	<b>\$ 8,398,262</b>	<b>\$ 2,911,570</b>	<b>\$ 3,522,642</b>	<b>\$ 71,422,258</b>

**DEFICIT FUND EQUITY**

The Highway-Snow Removal Fund, which is included in the Combined Highway Fund, the Part-Town Fund and the Lighting District Fund report fund deficits of \$175,381, \$1,487,200 and \$201,891, respectively, at December 31, 2011 and were a result of incurring unanticipated expenditures. The Lighting District Fund deficit is expected to be eliminated in the subsequent year by expenditure reductions. Deficits in the Part-Town Fund and Snow Removal Fund are expected to be eliminated in 2012 by increases in property taxes.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**B. FUND EQUITY (continued)**

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

An excess of expenditures over appropriations in individual funds were as follows for the year ended December 31, 2011:

	<u>Final Budget</u>		<u>Actual</u>		<u>Excess</u>
Commercial Garbage District	\$ 24,626,203		\$ 24,940,124		\$ 313,921
Part-Town	6,340,811		6,675,577		334,766
Special Lighting District	2,129,011		2,200,763		71,752
Highway - Snow Removal	1,437,061		1,541,993		104,932

The over expenditures in the Commercial Garbage District Fund and the Special Lighting District Fund were funded by available fund balance while the over expenditures in both the Part-Town Fund and Highway-Snow Removal Fund were financed through temporary advances from other funds.

**3. DETAILED NOTES ON ALL FUNDS**

**A. CASH AND CASH EQUIVALENTS**

Custodial Credit Risk – Deposits/ Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will 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, 2011.

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

At December 31, 2011 the Town's cash book balance was \$145,751,073. This amount is inclusive of Fiduciary Fund deposits of \$50,442,602, cash with fiscal agent of \$3,157,750 and restricted cash of \$216,977 but exclusive of petty cash of \$3,614 and component unit cash of \$256,977. The available bank balance was \$144,329,471. Of the available bank balance, \$29,780,541 was covered by Federal deposit insurance, and \$114,548,930 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name.

At December 31, 2011 the Town's component unit's bank balance was \$1,827,194. Of this balance, \$537,893 was covered by Federal deposit insurance and \$1,289,301 was covered by collateral held by the component unit's agent, a third-party financial institution.

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.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

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

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, 2011, 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, are shown as restricted cash on the balance sheet.

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

At December 31, 2011 individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 3,858,945	\$ 17,630,466
Residential Garbage District Fund	20,648,874	123,008
Commercial Garbage District Fund		2,729,347
Combined Highway Fund	447,355	335,331
Capital Projects Fund	33,708	1,538,792
Non-major Funds	7,503	2,613,608
Enterprise Fund:		
East Farmingdale Water District		25,833
Total	\$ 24,996,385	\$ 24,996,385

These receivables and payables are the result of several factors, including temporary advances between the funds and unpaid interfund charges for administrative and other costs. The Residential Garbage Fund has loaned the General Fund monies to finance the acquisition of property held for resale and at December 31, 2011 the related outstanding interfund balance is \$17,611,167. The Town expects the interfund receivables and payables will be paid within the next year, except for \$9,111,167 of General Fund balance due to the Residential Garbage District Fund. Accordingly, \$9,111,167 of the Residential Garbage District Fund's fund balance is reported as nonspendable for this long-term receivable.

At December 31, 2011, individual fund interfund transfers balances for the primary government primarily represent residual equity transfers related to completed and closed capital projects and transfer to the Capital Project Fund to finance specific capital projects and are stated as follows:

	Transfers out:				
	Major Funds:		Non-major Fund:		Totals
	General Fund	Capital Projects Fund	Other Special Revenue Fund		
<b>Transfers in:</b>					
Governmental Funds:					
Major Funds:					
General Fund		\$ 307,056		\$ 307,056	
Capital Projects Fund	\$ 178,072		\$ 323,699	501,771	
Total	\$ 178,072	\$ 307,056	\$ 323,699	\$ 808,827	

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**C. CAPITAL ASSETS**

Capital asset activities for the year ended December 31, 2011 are as follows:

	Balance 1/1/11	Additions	Deletions	Balance 12/31/11
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 24,467,198	\$ 3,478		\$ 24,470,676
Construction in progress	19,420,895	6,997,225	\$ (95,413)	26,322,707
Total capital assets not being depreciated	43,888,093	7,000,703	(95,413)	50,793,383
Depreciable capital assets:				
Building and improvements	81,227,288	286,065	(1,689,357)	79,823,996
Machinery and equipment	31,524,602	1,310,164	(683,431)	32,151,335
Infrastructure	376,521,557	7,426,947		383,948,504
Total depreciable capital assets	489,273,447	9,023,176	(2,372,788)	495,923,835
Less: accumulated depreciation				
Buildings and improvements	31,327,525	1,855,745	(1,102,474)	32,080,796
Machinery and equipment	18,983,113	2,387,070	(668,664)	20,701,519
Infrastructure	250,025,134	13,366,872		263,392,006
Total accumulated depreciation	\$ 300,335,772	\$ 17,609,687	\$ (1,771,138)	316,174,321
Total net depreciable capital assets				179,749,514
Total net capital assets				\$ 230,542,897

Depreciation was charged to functions and programs as follows:

General government support	\$ 632,159
Public safety	216,649
Transportation	13,106,267
Culture and recreation	1,622,407
Home and community services	2,032,205
Total depreciation expense - governmental activities	\$ 17,609,687

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**C. CAPITAL ASSETS (continued)**

	Balance 1/1/11	Additions	Deletions	Balance 12/31/11
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 194,964			\$ 194,964
Construction in progress	2,550,015	\$ 1,540,171		4,090,186
Total capital assets not being depreciated	2,744,979	1,540,171	\$ -0-	4,285,150
Depreciable capital assets:				
Building and improvements	1,306,327			1,306,327
Machinery and equipment	351,670			351,670
Infrastructure	2,702,032			2,702,032
Total depreciable capital assets	4,360,029	-0-	-0-	4,360,029
Less: accumulated depreciation				
Buildings and improvements	726,330	26,281		752,611
Machinery and equipment	318,082	4,570		322,652
Infrastructure	811,522	51,696		863,218
Total accumulated depreciation	\$ 1,855,934	\$ 82,547	\$ -0-	1,938,481
Total net depreciable capital assets				2,421,548
Total net capital assets				\$ 6,706,698

Depreciation for the business-type activities was charged to the home and community services function.

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. At December 31, 2011, the Town has not recorded any such impairment losses.

**D. INDEBTEDNESS**

**LONG-TERM DEBT**

**General Obligation Bonds** – 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 2.00% to 9.00% and mature at varying dates through April 2029.

**Revolving Fund Revenue Bonds** – The Town issued revolving fund revenue bonds for the purpose of constructing publicly owned systems for the storage, treatment, recycling and reclamation of municipal landfills and certain other water pollution control projects. These long-term liabilities are backed by the full faith and credit of the Town, bear interest at rates ranging from 2.95% to 5.10% and mature in June 2012.

**Mortgage Notes Payable** – The Town's mortgages payable consists of two loans due to the U.S. Department of Housing and Urban Development issued under Section 108. The loans bear interest at rates ranging from 4.95% to 6.59%, mature in August 2016 and will be liquidated from the Community Development Agency Fund. The mortgages are secured by all current and future community development block grant allocations.

**Bond Anticipation Notes (BANs)** – In December 2010, the Town issued \$15,305,000 of bond anticipation notes for various public improvement projects and litigation settlement purposes. In April of 2011, the Town refinanced the BANs with general obligation bonds as part of a larger bond issuance.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**D. INDEBTEDNESS (continued)**

**LONG-TERM DEBT (continued)**

Future principal and interest payments for the primary government are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities		Total Principal and Interest
	Principal	Interest	Principal	Interest	
2012	\$ 19,003,998	\$ 5,180,245	\$ 66,000	\$ 4,953	\$ 24,255,196
2013	12,578,660	4,470,239	61,340	1,610	17,111,849
2014	13,020,000	3,979,778			16,999,778
2015	13,275,000	3,466,158			16,741,158
2016	13,975,000	2,938,964			16,913,964
2017-2021	44,810,000	7,587,838			52,397,838
2022-2026	9,575,000	2,413,688			11,988,688
2027-2029	6,230,000	423,675			6,653,675
Total	\$ 132,467,658	\$ 30,460,585	\$ 127,340	\$ 6,563	\$ 163,062,146

**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, 2011, \$24,945,000 of these bonds outstanding is considered defeased.

**CHANGES IN LONG-TERM LIABILITIES**

Long term liability activity, for the year ended December 31, 2011 is as follows:

	Balance 1/1/11	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/11
<b>Governmental activities:</b>					
General obligation bonds	\$ 110,536,660	\$ 31,420,000 *	\$ 13,264,002		\$ 128,692,658
Plus: premiums on issuance	2,077,430	9,161	243,693		1,842,898
General obligation bonds, net	112,614,090	\$ 31,429,161	\$ 13,507,695	\$ -0-	130,535,556
Revolving fund revenue bonds	6,185,000		3,040,000		3,145,000
Total Bonds	118,799,090	31,429,161	16,547,695	-0-	133,680,556
Bond anticipation note	15,305,000		15,305,000 *		-0-
Mortgage notes payable	795,000		165,000		630,000
Due to employees'					
retirement system	2,779,167	697,578	590,362		2,886,383
Compensated absences	5,187,806	2,912,092	3,336,124		4,763,774
Claims and judgments payable	7,868,314		464,170	6,487	7,410,631
Estimated liability for landfill closure and post closure care costs	27,667,286		1,259,310	(1,142,809)	25,265,167
Other postemployment benefits payable	28,575,184	9,933,083	4,031,340		34,476,927
<b>Business-type activities:</b>					
General obligation bonds	193,340		66,000		127,340
Other postemployment benefits payable	327,997	96,657	138,180		286,474
	\$ 207,498,184	\$ 45,068,571	\$ 41,903,181	\$ (1,136,322)	\$ 209,527,252

\*This bond anticipation note was refinanced as a general obligation bond in the current year. This transaction is presented net in the Statement of Revenues, Expenses and Changes in Net Assets.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**D. INDEBTEDNESS** (continued)

**CHANGES IN LONG-TERM LIABILITIES** (continued)

A summary of current and long-term debt amounts as of December 31, 2011 is as follows:

	Noncurrent Liabilities due Within One Year	Noncurrent Liabilities	Balance at 12/31/2011
Governmental activities:			
General obligation bonds, net	\$ 15,997,813	\$ 114,537,743	\$ 130,535,556
Revolving fund revenue bonds	3,145,000		3,145,000
Total bonds	<u>19,142,813</u>	<u>114,537,743</u>	<u>133,680,556</u>
Mortgage notes payable	105,000	525,000	630,000
Due to employees' retirement system	541,121	2,345,262	2,886,383
Compensated absences	3,075,000	1,688,774	4,763,774
Claims and judgments payable	580,344	6,830,287	7,410,631
Estimated liability for landfill closure and post closure care costs	3,433,010	21,832,157	25,265,167
Other postemployment benefits payable		34,476,927	34,476,927
Business-type activities:			
General obligation bonds	66,000	61,340	127,340
Other postemployment benefits payable		286,474	286,474
	<u>\$ 26,943,288</u>	<u>\$ 182,583,964</u>	<u>\$ 209,527,252</u>

**OTHER LONG-TERM DEBT**

The liabilities for compensated absences, amounts due to employees' retirement system, and other postemployment benefits payable will be liquidated through future budgetary appropriations in the funds that gave rise to the liability. In most instances these amounts will be liquidated from the General Fund, Combined 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 post closure 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, 2011, the outstanding Series 2009 A and B bond balances were \$59,760,000.

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, 2011

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

**E. PROPERTY HELD FOR RESALE**

The Town is currently undergoing a major community revitalization program in the northern central part of the Town. Since 2008, the Town has been purchasing commercial properties with available surplus funds of the General and Residential Garbage Funds, of which a majority will be repaid with the issuance of authorized general obligation bonds. As of December 31, 2011, the Town invested \$26,467,705 for the costs of these properties, which includes the purchase price and costs of maintaining the properties. The Town has issued \$8,450,000 of general obligations bonds for this purpose and intends to issue an additional \$8,500,000 of general obligation bonds for the revitalization program during 2012. The Town is completing the pre-development work for the project which includes rezoning, securing necessary permits and community approvals, demolishing existing structures and grading the projects and then intends to sell the property to a private developer to complete the program by 2013. 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 Assets. General Fund fund balance related to this program is classified as either nonspendable or restricted.

As of December 31, 2011, the Town's Community Development Agency Fund owned eight properties purchased with grant proceeds in the amount of \$1,042,204 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 2012, therefore the property held for resale is classified as a current asset in the Statement of Net Assets.

**F. RETIREMENT SYSTEM**

Plan Description

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

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

Funding Policy

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

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts. The credits and miscellaneous adjustments represent modification made by the NYSERS to the prior year's contributions due to differences between estimated and actual salaries for the plan year.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**F. RETIREMENT SYSTEM** (continued)

Funding Policy (continued)

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

	Annual Required Contribution	Early Retirement Incentive	Section 803	Credits & Miscellaneous Adjustments	Chapter 57 Laws of 2010	Total Payment
2011	\$3,468,413	\$631,077	\$ -0-	\$ (389,478)	\$ (697,575)	3,012,437
2010	2,823,724	131,480	-0-	(71,212)	(329,715)	2,554,277
2009	1,734,717	131,480	-0-	(18,288)	-0-	1,847,909

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

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

In 2004, the Town elected to defer a portion of its retirement bill under Chapter 49 of the Laws of 2003 of the State of New York. The deferred amount is due in ten annual installments including interest at 5%. At December 31, 2011, the outstanding amount owed to the System was \$355,876.

In 2010 and 2011, 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 2011. At December 31, 2011, the amount due to the System related to this deferral is \$1,001,080.

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

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to 1% depending upon the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

The State Legislature authorized local governments to make available various retirement incentive programs and amortize certain contribution costs. During 2010, pursuant to Chapter 105 of the Laws of 2010, the Town participated in a retirement incentive program with an estimated total costs to the Town of \$1,986,064. The cost of the 2010 incentive program will be billed and paid over five years beginning in 2011 and will include interest at 5%. At December 31, 2011, the outstanding balance due to the System related to this retirement incentive was \$1,529,427.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

**F. RETIREMENT SYSTEM** (continued)

Funding Policy (continued)

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

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2012	\$ 541,121	\$ 174,634	\$ 715,755
2013	575,990	139,765	715,755
2014	613,217	102,538	715,755
2015	522,284	61,990	584,274
2016	101,560	26,077	127,637
2017-2021	532,211	63,278	595,489
	\$ 2,886,383	\$ 568,282	\$ 3,454,665

**G. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

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

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

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

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

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

The number of participants as of January 1, 2011, the effective date of the OPEB valuation is as follows:

	Total	Town	Component Unit
Active employees	313	309	4
Retirees	324	322	2
Spouses of retired employees	212	211	1
	849	842	7

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

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

Funding Policy

The Town currently pays for other postemployment benefits on a pay-as-you-go basis. GASB Statement No. 45 does not require that the unfunded liability actually be funded, only that the unfunded accrued liability is accounted for and in compliance in meeting its Annual Required Contribution (ARC). However, if the liability is funded, assets must be transferred to a qualifying irrevocable trust or equivalent arrangement for the exclusive benefit of plan members and must be protected from creditors. At this time, there is no New York State statute providing local governments with the requisite authority for establishing a postemployment benefits trust. Therefore, these financial statements are presented on a pay-as-you-go basis until a funding mechanism is authorized for municipalities by New York State statute.

Annual Other Postemployment Benefit Cost and Net Obligation

For the year ended December 31, 2011, the Town's (excluding the component unit) annual other postemployment benefits cost (expense) was \$10,029,740. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$4,169,520 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$5,860,220 for the year ended December 31, 2011. The Town's component unit's annual other postemployment benefits cost (expense) was \$66,885. The payment of current health insurance premiums totaled \$16,115 for retirees and the component unit's beneficiaries, resulting in an increase in the other postemployment benefits liability of \$50,770 for the year ended December 31, 2011.

Benefit Obligations and Normal Cost

	<u>Total</u>	<u>Town</u>	<u>Component Unit</u>
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 75,980,911	\$ 75,680,619	\$ 300,292
Active employees	58,924,129	58,182,143	741,986
Total Actuarial Accrued Liability (AAL)	<u>134,905,040</u>	<u>133,862,762</u>	<u>1,042,278</u>
Actuarial value of plan assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 134,905,040</u>	<u>\$ 133,862,762</u>	<u>\$ 1,042,278</u>
Funded ratio	0%	0%	0%
Normal cost at the beginning of the year	\$ 4,218,156	\$ 4,169,276	\$ 48,880
Amortization cost at the beginning of the year	\$ 5,454,486	\$ 5,413,120	\$ 41,366
Annual covered payroll	\$ 23,119,181	\$ 23,119,181	n/a*
UAAL as a percentage of covered payroll	583.52%	579.01%	n/a*

\*Information was not available for the component unit

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town for the year ended December 31, 2011 amounted to \$133,862,762. The unfunded actuarial accrued liability for the components units for the year ended December 31, 2011 amounted to \$1,042,278.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

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

Benefit Obligations and Normal Cost (continued)

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

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

	Total	Town	Component Unit
Normal cost	\$ 3,997,973	\$ 3,963,976	\$ 33,997
Amortization of unfunded actuarial liability (UAAL) over 30 years	5,961,458	5,928,905	32,553
Interest	312,326	312,326	
Annual required contribution (ARC)	10,271,757	10,205,207	66,550
Interest on net OPEB obligation	1,158,380	1,156,127	2,253
Adjustment to ARC	(1,333,512)	(1,331,594)	(1,918)
Annual OPEB cost	10,096,625	10,029,740	66,885
Less: Contribution for year ended December 31, 2011	(4,185,635)	(4,169,520)	(16,115)
Increase in other postemployment benefits liability	5,910,990	5,860,220	50,770
Other postemployment benefits liability at December 31, 2010	29,219,145	28,903,181	315,964
Other postemployment benefits liability at December 31, 2011	\$ 35,130,135	\$ 34,763,401	\$ 366,734
Percent of annual OPEB cost contributed	41.46%	41.57%	24.09%

Funded Status and Funding Progress

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

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
2011	\$ 10,029,740	\$ 4,169,520	41.57%	\$ 34,763,401
2010	9,820,418	3,816,898	38.87%	28,903,181
2009	9,203,287	2,827,910	30.73%	22,899,661

The funded status of the plan as of January 1, 2011 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	\$ 133,862,762	\$ -0-	\$ 133,862,762	0.00%	\$ 23,119,181	579.01%
Component Unit	1,042,278	-0-	1,042,278	0.00%	n/a*	n/a*

\*Information was not available for the component unit

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

Funded Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2011 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 10.0% (pre 65) and an 8.5% (post 65) healthcare cost trend for 2011, with an ultimate medical trend rate of 5% to be reached in 2016 for both pre and post 65. The remaining amortization period at December 31, 2011 was twenty-five years.

**H. SERVICE AWARD PROGRAM**

Plan Description

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

Participation, Vesting, and Service Credit

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

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

Benefits

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

Fiduciary Investment Control

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

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

Plan assets are required to be held in trust by Length of Service Award Program legislation, for the exclusive purpose of providing benefits to Participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the Plan.

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

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

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

Fiduciary Investment Control (continued)

Plan financial condition as of and for the year ended December 31, 2011:

	<u>East Farmingdale</u>	<u>North Amityville</u>	<u>North Babylon</u>	<u>North Lindenhurst</u>	<u>Wyandanch</u>
<u>Assets</u>					
Actuarial present value of benefits at January 1	\$ 3,859,413	\$ 1,834,981	\$ 4,514,046	\$ 3,217,166	
benefits at February 1					\$ 1,090,457
Less: assets available for benefits	<u>3,196,290</u>	<u>1,393,839</u>	<u>2,793,914</u>	<u>1,743,193</u>	<u>319,659</u>
Total unfunded benefits	663,123	441,142	1,720,132	1,473,973	770,798
Less: unfunded liability for prior service	<u>(663,123)</u>	<u>(441,142)</u>	<u>(1,720,132)</u>	<u>(1,473,973)</u>	<u>(770,798)</u>
Unfunded normal benefits	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Assets Available for Benefits</u>					
Cash & short-term investments	\$ 53,151	\$ 139,205	\$ 56,380	\$ 45,910	
Annuities	2,523,907	1,007,672	1,654,448	1,251,239	\$ 319,659
Insurance contracts	<u>619,232</u>	<u>246,962</u>	<u>1,083,086</u>	<u>446,044</u>	
Total assets available for benefits	<u>\$ 3,196,290</u>	<u>\$ 1,393,839</u>	<u>\$ 2,793,914</u>	<u>\$ 1,743,193</u>	<u>\$ 319,659</u>
<u>Receipts and Disbursements</u>					
Plan assets, beginning of year	\$ 3,104,095	\$ 1,325,194	\$ 2,539,649	\$ 1,554,721	\$ 308,473
Plan contributions - 2011	85,379	96,469	176,059	206,326	66,650
Investment income earned	70,189	28,881	136,421	72,864	13,414
Other receipts	41,888	47,900	66,544	23,861	924
Plan benefit withdrawals	(105,261)	(104,605)	(124,759)	(114,579)	(67,039)
Administrative fees					<u>(2,763)</u>
Plan assets, end of year	<u>\$ 3,196,290</u>	<u>\$ 1,393,839</u>	<u>\$ 2,793,914</u>	<u>\$ 1,743,193</u>	<u>\$ 319,659</u>

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

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

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

Fiduciary Investment Control (continued)

Plan financial condition as of and for the year ended December 31, 2011:

	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
<b>Prior Service Costs</b>					
Amortization period	30 years	20 years	30 years	30 years	25 years
Discount rate	5.25%	5.25%	5.25%	5.25%	5.00%
Remaining years	14	14	21	15	19
<b>Contributions</b>					
Recommend by actuary - 2011					
Minimum	\$ 234,217	\$ 102,578	\$ 308,191	\$ 232,310	\$ 70,578
Maximum	\$ 234,217	\$ 116,453	\$ 392,130	\$ 304,237	\$ 70,578
2011 Actual Contribution	\$ 85,379	\$ 96,469	\$ 176,059	\$ 206,326	\$ 66,650
<b>Administration Fees</b>					
Paid to Plan Administrator by:					
Sponsor	\$ 2,870	\$ 2,759	\$ 6,072	\$ 5,299	\$ -0-
Plan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,737
Paid to Trustee	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>Other</b>					
Effective date of Plan	1/1/1990	1/1/1990	1/1/1990	1/1/1990	2/1/2005
Valuation date	1/1/2012	1/1/2012	1/1/2012	1/1/2012	2/1/2012
Actuary report date	April 2012	January 2012	June 2012	May 2012	February 2012
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	**	**	**	**	U8400
Remaining amortization period					
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value

\*\* 1994 Group Annuity Reserving Table - Male

**I. 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 assets. 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, 2011, the value of the accumulated vacation time and sick leave of the primary government was \$4,763,776.

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2011

**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 \$5,579,700. 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.

In addition, the Town was self-insured for its workers' compensation coverage until June 1999. In 1999, the Town purchased an insurance policy for the workers' compensation coverage in order to minimize the costs. 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:

	<u>General &amp; Auto Liability Coverage</u>		<u>Workers' Compensation</u>	
	2011	2010	2011	2010
Beginning balances of claims liabilities at January 1	\$ 5,826,200	\$ 5,990,800	\$ 2,042,114	\$ 2,633,678
Adjustments	(131,724)	(81,582)	138,211	(201,193)
Payments	<u>(114,776)</u>	<u>(83,018)</u>	<u>(349,394)</u>	<u>(390,371)</u>
Ending balance of claims liabilities at December 31	<u>\$ 5,579,700</u>	<u>\$ 5,826,200</u>	<u>\$ 1,830,931</u>	<u>\$ 2,042,114</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 of the 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, 2011

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

**C. LANDFILL CLOSURE AND POST CLOSURE 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 post closure care costs will be paid only near or after the date that each landfill stops accepting waste the Town is required by GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs*, to report a portion of these closure and post closure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The Town has accrued \$25,265,167 at December 31, 2011, which represents the cumulative amount based on the use of 100% of the solid waste landfill, 99.50% of the estimated capacity of the northern ash landfill and 51.37% of the estimated capacity of the southern ash landfill. The Town will recognize the remaining estimated cost of closure and post closure care of \$7,377,648 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care costs in 2011 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 2012 and 2033, respectively.

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

The Town is committed to capital improvements to its various facilities and infrastructure. At December 31, 2011, the Town has funds restricted or assigned for capital acquisitions and improvements of \$20,120,825 and is reported in the Capital Projects Fund.

**E. POLLUTION REMEDIATION OBLIGATION**

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

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

The Town has legally committed itself to conduct remediation activities on a water well on Town-owned and operated property. The Town estimates the cost of site clean-up, including the construction of a wellhead treatment system, will be approximately \$4.5 million, of which approximately \$4.0 million has been paid through December 31, 2011. Through December 31, 2011, the Town has received approximately \$4.2 million from an outside third party to fund these costs. Unspent reimbursements are reported in the Statement of Fiduciary Assets and Liabilities. When the site clean-up is completed, unused settlement proceeds will be remitted to New York State. The Town did not report a liability in the government-wide statements as these estimated outlays meet the criteria for capitalization in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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, 2011, 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, 2011

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

**F. RESOURCE RECOVERY FACILITY**

The Town of has entered into a 30 year agreement, expiring in 2019, with Ogden Martin Systems of 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 Long Island Power Authority ("LIPA") 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 3.D 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 LIPA as well as 50% of the revenues Covanta receives from the sale of recoverable materials.

**G. FUTURE MINIMUM OPERATING LEASE EXPENSES**

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, 2011 are as follows:

Years Ending December 31, 2012	\$ 434,567
2013	397,971
2014	298,351
2015	270,510
2016	222,716
Thereafter	4,009,931
	<u>\$ 5,634,046</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, 2011 approximated \$582,000. The maximum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2012	\$ 341,328
2013	308,614
2014	246,029
2015	160,731
2016	52,837
	<u>\$ 1,109,539</u>

**TOWN OF BABYLON**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011

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

**G. FUTURE MINIMUM OPERATING LEASE EXPENSES** (continued)

Pursuant to a lease 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 operating lease 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 \$4,360,029 and \$2,421,548, respectively. In consideration, SCWA paid the District an upfront lease payment of \$3 million which is being amortized over the lease term of forty years. 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 \$284,925 of management fees to SCWA during the year ended December 31, 2011. Any billings in excess of the SCWA management fee will be remitted back to the District.

**H. 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.

**I. AVAILABLE PROJECT FINANCING**

The Town has \$14,668,482 of available financing through New York State Environmental Facilities Corporation to fund a sewer expansion project. The financing available is comprised of two components: \$7,334,241 of available short term interest-free financing which matures September 2013 and \$7,334,241 of available short term market rate financing which matures September 2013 and bears interest at .69%. As of December 31, 2011 there have been no advances and the available credit is \$14,668,482. Once the project is completed the Town anticipates converting the outstanding short term funding to long-term bonds through the New York State Environmental Facilities Corporation.

**5. NEW PRONOUNCEMENTS**

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement is for presentation purposes only. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2011.

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 (nonmajor 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 to the Financial Statement 2.B for information regarding individual funds with an 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, 2011**

REVENUES	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REAL PROPERTY TAXES</b>				
Ad valorem taxes	\$ 24,731,413	\$ 24,731,413	\$ 24,731,413	\$ -0-
Total Real Property Taxes	24,731,413	24,731,413	24,731,413	-0-
<b>OTHER REAL PROPERTY TAX ITEMS</b>				
Payment in lieu of taxes	500,000	500,000	710,777	210,777
Interest and penalties on real property taxes	300,000	300,000	290,590	(9,410)
Total Other Real Property Tax Items	800,000	800,000	1,001,367	201,367
<b>NON-PROPERTY TAX ITEMS</b>				
Cable franchise fees	2,500,000	2,500,000	2,883,690	383,690
Lot clean-up program	550,000	550,000	563,296	13,296
Total Non-Property Tax Items	3,050,000	3,050,000	3,446,986	396,986
<b>DEPARTMENTAL INCOME</b>				
Assessor's fees	5,000	5,000	15,093	10,093
Town clerk fees	250,000	250,000	138,454	(111,546)
Consultation fees	85,000	85,000	34,074	(50,926)
Public pound fees and dog control service	70,000	70,000	36,316	(33,684)
Wyandanch program fees	80,000	80,000	74,486	(5,514)
Park and recreation charges and fees	1,740,000	1,740,000	2,069,761	329,761
Emernoc fee	5,000	5,000	5,000	(5,000)
Medicaid	60,000	60,000	290,943	230,943
Charges for cemetery services	5,000	5,000	5,707	707
Total Departmental Income	2,300,000	2,300,000	2,664,834	364,834
<b>USE OF MONEY AND PROPERTY</b>				
Interest and earnings on investments	500,000	500,000	39,616	(460,384)
Rental of real property/beach leases	750,000	750,000	670,937	(79,063)
Other	500,000	500,000	556,756	56,756
Total Use of Money and Property	1,750,000	1,750,000	1,267,309	(482,691)
<b>LICENSES AND PERMITS</b>				
Business and occupational licenses	45,000	45,000	24,100	(20,900)
Bingo license fees/games of chance	29,000	29,000	14,038	(14,962)
Dog licenses	9,000	9,000	14,609	5,609
Licenses - other	25,000	25,000	6,797	(18,203)
Plumbing permits	25,000	25,000	45,005	20,005
Impact fees	200,000	200,000	100,000	(100,000)
Permits - other	45,000	45,000	45,910	910
Other	5,000	5,000	5,000	(5,000)
Total Licenses and Permits	383,000	383,000	250,459	(132,541)
<b>FINES AND FORFEITURES</b>				
Fines and forfeited bail	1,100,000	1,100,000	1,194,647	94,647
Bid deposits	5,000	5,000	17,150	12,150
Total Fines and Forfeitures	1,105,000	1,105,000	1,211,797	106,797
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Sales, recycling	20,000	20,000	10,451	(9,549)
Sales of equipment	150,000	150,000	182,660	32,660
Other compensation	1,000,000	1,000,000	1,000,000	-0-
Insurance recoveries	25,000	25,000	29,715	4,715
Total Sale of Property and Compensation for Loss	1,195,000	1,195,000	1,222,826	27,826

(continued)

**TOWN OF BABYLON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>MISCELLANEOUS LOCAL SOURCES</b>				
Gifts and donations	25,000	25,000	95,155	70,155
Refund of prior year expenditures	50,000	50,000	474,713	424,713
Other miscellaneous revenue	200,000	200,000	325,362	125,362
Total Miscellaneous Local Sources	<u>275,000</u>	<u>275,000</u>	<u>895,230</u>	<u>620,230</u>
<b>INTERFUND REVENUE</b>				
Interfund revenue	850,000	850,000	4,687,751	3,837,751
Total Interfund Revenue	<u>850,000</u>	<u>850,000</u>	<u>4,687,751</u>	<u>3,837,751</u>
<b>STATE AND COUNTY AID</b>				
Mortgage tax	6,000,000	6,000,000	3,682,554	(2,317,446)
Narcotics guidance counsel	50,000	50,000	67,531	17,531
Youth programs	770,000	770,000	421,552	(348,448)
Therapeutic recreation program	25,000	25,000	51,888	26,888
Senior day training program	35,000	35,000	25,807	(9,193)
Nutrition programs	15,000	15,000	17,394	2,394
State grants	300,000	313,500	28,366	(285,134)
Total State and County Aid	<u>7,195,000</u>	<u>7,208,500</u>	<u>4,295,092</u>	<u>(2,913,408)</u>
<b>FEDERAL AID</b>				
Narcotics guidance counsel	250,000	250,000	254,044	4,044
Home chores project	24,832	24,832	17,072	(7,760)
Wyandanch nutrition program	225,000	225,000	183,017	(41,983)
Emergency disaster assistance program - severe storms			110,157	110,157
Total Federal Aid	<u>499,832</u>	<u>499,832</u>	<u>564,290</u>	<u>64,458</u>
Total Revenues	<u>44,134,245</u>	<u>44,147,745</u>	<u>46,239,354</u>	<u>2,091,609</u>

**EXPENDITURES**

<b>GENERAL GOVERNMENT SUPPORT</b>				
Town board	442,100	442,100	435,241	6,859
Municipal court	156,020	156,020	56,162	99,858
Traffic violations bureau	121,534	121,534	106,686	14,848
Town Supervisor	820,454	885,871	759,151	126,720
Finance	186,233	186,233	188,081	(1,848)
Comptroller	662,276	662,276	476,297	185,979
Auditor	140,000	140,000	214,075	(74,075)
Receiver of taxes	558,263	558,263	552,850	5,413
Fiscal agent	10,000	10,000	6,850	3,150
Purchasing	262,026	262,026	267,734	(5,708)
Assessor	2,029,307	2,029,307	1,993,561	35,746
Town Clerk	552,324	552,324	493,339	58,985
Town Attorney	1,302,692	1,302,692	1,519,015	(216,323)
Personnel	142,712	142,712	125,214	17,498
Engineering	301,100	301,100	405,692	(104,592)
Elections	1,800	1,800	1,250	550
Public works administration	251,510	251,510	158,848	92,662
Central service administration	104,662	104,662	51,564	53,098
Buildings and grounds	3,775,227	3,763,227	3,419,862	343,365
Vehicle and control	1,410,079	1,410,079	1,831,728	(421,649)
Central printing and mail	609,476	609,476	626,056	(16,580)
Central data processing	797,440	809,440	719,342	90,098
Unallocated insurance, judgments and claims	1,100,000	1,100,000	263,588	836,412
Municipal association dues	1,200	1,200		1,200
Taxes and assessments on municipal property	3,000	3,000	107,000	(104,000)
Contingencies - contractual and other	290,063	290,063		290,063
Other general government support	47,826	47,826	49,687	(1,861)
Total General Government Support	<u>16,079,324</u>	<u>16,144,741</u>	<u>14,828,873</u>	<u>1,315,868</u>

(continued)

**TOWN OF BABYLON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC SAFETY</b>				
Traffic control	708,468	722,468	730,151	(7,683)
Control of animals	631,460	631,460	604,712	26,748
Plumbing board	40,400	40,400	27,547	12,853
Civil defense	14,720	14,720	11,069	3,651
Total Public Safety	<u>1,395,048</u>	<u>1,409,048</u>	<u>1,373,479</u>	<u>35,569</u>
<b>HEALTH</b>				
Drug and alcohol control	973,652	973,652	936,438	37,214
Contracted narcotic addiction control services	356,897	356,897	381,112	(24,215)
Other health	667,813	665,813	518,398	147,415
Handicapped services	500	500	46	454
Total Health	<u>1,998,862</u>	<u>1,996,862</u>	<u>1,835,994</u>	<u>160,868</u>
<b>ECONOMIC ASSISTANCE AND OPPORTUNITY</b>				
Public information	161,817	96,400	13,490	82,910
Commerce and industry	43,160	43,160	48,664	(5,504)
Veterans' services	9,400	9,400	4,950	4,450
Programs for the aging	95,162	97,162	63,626	33,536
Family services	42,244	42,244	44,065	(1,821)
Total Economic Assistance and Opportunity	<u>351,783</u>	<u>288,366</u>	<u>174,795</u>	<u>113,571</u>
<b>CULTURE AND RECREATION</b>				
Recreation administration	783,163	784,663	763,321	21,342
Parks	4,159,199	4,145,199	4,097,086	48,113
Playground and recreation center	489,500	489,500	494,493	(4,993)
Beaches and pools	1,988,009	1,986,509	2,270,854	(284,345)
Youth programs	1,519,619	1,519,619	1,225,533	294,086
Town historian	68,241	81,741	76,629	5,112
Adult recreation and senior citizen programs	803,398	803,398	745,225	58,173
Council on the arts	10,000	10,000	10,000	-0-
Total Culture and Recreation	<u>9,821,129</u>	<u>9,820,629</u>	<u>9,683,141</u>	<u>137,488</u>
<b>HOME AND COMMUNITY SERVICES</b>				
Environmental control	735,200	735,200	825,942	(90,742)
Total Home and Community Services	<u>735,200</u>	<u>735,200</u>	<u>825,942</u>	<u>(90,742)</u>
<b>EMPLOYEE BENEFITS</b>				
Retirement system	1,786,980	1,786,980	1,732,836	54,144
Social security	1,405,712	1,405,712	1,400,799	4,913
Workers' compensation	1,050,000	1,050,000	1,126,369	(76,369)
Life insurance	18,000	18,000	10,851	7,149
Unemployment benefits	68,000	68,000	228,717	(160,717)
Disability benefits	25,000	25,000	15,339	9,661
Hospital, medical, and dental	4,442,088	4,442,088	5,081,098	(639,010)
Other employee benefits	370,000	370,000	372,932	(2,932)
Total Employee Benefits	<u>9,165,780</u>	<u>9,165,780</u>	<u>9,968,941</u>	<u>(803,161)</u>
<b>DEBT SERVICE</b>				
Principal	4,265,983	4,265,983	4,265,983	-0-
Interest	1,895,182	1,895,182	1,883,393	11,789
Bond issuance costs			44,355	(44,355)
Total Debt Service	<u>6,161,165</u>	<u>6,161,165</u>	<u>6,193,731</u>	<u>(32,566)</u>
Total Expenditures	<u>45,708,291</u>	<u>45,721,791</u>	<u>44,884,896</u>	<u>836,895</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,574,046)</u>	<u>(1,574,046)</u>	<u>1,354,458</u>	<u>2,928,504</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance			8,450,000	8,450,000
Premium on debt issuance			5,038	5,038
Operating transfers in	1,550,000	1,550,000	307,056	(1,242,944)
Operating transfers out			(178,072)	(178,072)
Total Other Financing Sources (Uses)	<u>1,550,000</u>	<u>1,550,000</u>	<u>8,584,022</u>	<u>7,034,022</u>
<b>Net Change in Fund Balance</b>	<u>\$ (24,046)</u>	<u>\$ (24,046)</u>	<u>9,938,480</u>	<u>\$ 9,962,526</u>
<b>Fund Balance at Beginning of Year</b>			<u>5,979,786</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 15,918,266</u>	

**TOWN OF BABYLON**  
**RESIDENTIAL GARBAGE DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 23,099,413	\$ 23,099,413	\$ 23,099,413	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Other tax items	5,482,264	5,482,264	5,482,264	-0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	5,505,894	5,505,894	5,785,696	279,802
USE OF MONEY AND PROPERTY				
Interest earnings	300,000	300,000	133,892	(166,108)
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			3,950	3,950
STATE AID				
Hazardous waste			13,624	13,624
FEDERAL AID				
Emergency disaster assistance program - severe storms			132,317	132,317
Energy efficiency and conservation			796,457	796,457
Total Federal Aid	<u>-0-</u>	<u>-0-</u>	<u>928,774</u>	<u>928,774</u>
Total Revenues	<u>34,387,571</u>	<u>34,387,571</u>	<u>35,447,613</u>	<u>1,060,042</u>
<b>EXPENDITURES</b>				
HOME AND COMMUNITY SERVICES				
Garbage improvement area	37,063,545	37,063,545	37,127,717	(64,172)
Personal services	1,262,996	1,262,996	945,759	317,237
Total Home and Community Services	<u>38,326,541</u>	<u>38,326,541</u>	<u>38,073,476</u>	<u>253,065</u>
EMPLOYEE BENEFITS				
Retirement system	70,000	70,000	118,969	(48,969)
Social security	90,469	90,469	79,156	11,313
Workers' compensation	45,000	45,000	39,660	5,340
Life insurance	600	600	216	384
Unemployment benefits	6,000	6,000	10,242	(4,242)
Disability benefits	1,258	1,258	1,258	-0-
Hospital, medical, and dental	132,348	132,348	112,472	19,876
Other employee benefits	14,720	14,720	13,401	1,319
Total Employee Benefits	<u>360,395</u>	<u>360,395</u>	<u>375,374</u>	<u>(14,979)</u>
DEBT SERVICE				
Principal	3,155,086	3,155,086	3,155,086	-0-
Interest	431,423	431,423	388,359	43,064
Total Debt Service	<u>3,586,509</u>	<u>3,586,509</u>	<u>3,543,445</u>	<u>43,064</u>
Total Expenditures	<u>42,273,445</u>	<u>42,273,445</u>	<u>41,992,295</u>	<u>281,150</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(7,885,874)</u>	<u>(7,885,874)</u>	<u>(6,544,682)</u>	<u>1,341,192</u>
OTHER FINANCING USES				
Operating transfers out	(1,000,000)	(1,000,000)		1,000,000
Total Other Financing Uses	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-0-</u>	<u>1,000,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (8,885,874)</u>	<u>\$ (8,885,874)</u>	<u>(6,544,682)</u>	<u>\$ 2,341,192</u>
<b>Fund Balance at Beginning of Year</b>			<u>31,088,273</u>	
<b>Fund at Balance End of Year</b>			<u>\$ 24,543,591</u>	

**TOWN OF BABYLON**  
**COMMERCIAL GARBAGE DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 6,822,184	\$ 6,822,184	\$ 6,822,184	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	17,441,140	17,441,140	16,667,403	(773,737)
USE OF MONEY AND PROPERTY				
Interest earnings	30,000	30,000	14,376	(15,624)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of equipment			52,575	52,575
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			708	708
STATE AND COUNTY AID				
State grants			10,000	10,000
Total Revenues	<u>24,293,324</u>	<u>24,293,324</u>	<u>23,567,246</u>	<u>(726,078)</u>
<b>EXPENDITURES</b>				
HOME AND COMMUNITY SERVICES				
Garbage improvement area	19,542,204	19,542,204	20,666,035	(1,123,831)
Personal services	471,843	471,843	628,319	(156,476)
Total Home and Community Services	<u>20,014,047</u>	<u>20,014,047</u>	<u>21,294,354</u>	<u>(1,280,307)</u>
EMPLOYEE BENEFITS				
Retirement system	50,000	50,000	89,236	(39,236)
Social security	36,096	36,096	48,351	(12,255)
Workers' compensation	45,000	45,000	39,660	5,340
Life insurance	400	400	104	296
Unemployment benefits	1,000	1,000		1,000
Disability benefits	1,000	1,000	1,176	(176)
Hospital, medical, and dental	75,000	75,000	99,813	(24,813)
Other employee benefits	3,500	3,500	6,232	(2,732)
Total Employee Benefits	<u>211,996</u>	<u>211,996</u>	<u>284,572</u>	<u>(72,576)</u>
DEBIT SERVICE				
Principal	2,995,054	2,995,054	2,995,054	-0-
Interest	405,106	405,106	366,144	38,962
Total Debt Service	<u>3,400,160</u>	<u>3,400,160</u>	<u>3,361,198</u>	<u>38,962</u>
Total Expenditures	<u>23,626,203</u>	<u>23,626,203</u>	<u>24,940,124</u>	<u>(1,313,921)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>667,121</u>	<u>667,121</u>	<u>(1,372,878)</u>	<u>(2,039,999)</u>
<b>OTHER FINANCING USES</b>				
Operating transfers out	(1,000,000)	(1,000,000)		1,000,000
Total Other Financing Uses	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-0-</u>	<u>1,000,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (332,879)</u>	<u>\$ (332,879)</u>	<u>(1,372,878)</u>	<u>\$ (1,039,999)</u>
<b>Fund Balance at Beginning of Year</b>			<u>9,352,669</u>	
<b>Fund at Balance End of Year</b>			<u>\$ 7,979,791</u>	

**TOWN OF BABYLON**  
**COMBINED HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
<b>REAL PROPERTY TAXES</b>				
Ad valorem taxes	\$ 17,344,688	\$ 17,344,688	\$ 17,344,688	\$ -0-
<b>OTHER REAL PROPERTY TAX ITEMS</b>				
Payment in lieu of taxes	450,000	450,000	570,164	120,164
<b>USE OF MONEY AND PROPERTY</b>				
Interest earnings	40,000	40,000	14,806	(25,194)
<b>LICENSES AND PERMITS</b>				
Street inspection fees	60,000	60,000	50,800	(9,200)
Road maintenance fees	50	50	10	(40)
Total Licenses and Permits	<u>60,050</u>	<u>60,050</u>	<u>50,810</u>	<u>(9,240)</u>
<b>SALE OF PROPERTY AND COMPENSATION FOR LOSS</b>				
Insurance recoveries	5,000	5,000		(5,000)
<b>MISCELLANEOUS LOCAL SOURCES</b>				
Refund of prior year expenditures			763	763
Other miscellaneous revenue	36,001	36,001	42,334	6,333
Total Miscellaneous Local Sources	<u>36,001</u>	<u>36,001</u>	<u>43,097</u>	<u>7,096</u>
<b>INTERFUND REVENUES</b>				
Interfund chargebacks	200,000	200,000		(200,000)
<b>STATE AID</b>				
Consolidated Local Street and Highway Improvement Program	662,000	662,000	951,781	289,781
<b>FEDERAL AID</b>				
Emergency disaster assistance program			506,746	506,746
Total Revenues	<u>18,797,739</u>	<u>18,797,739</u>	<u>19,482,092</u>	<u>684,353</u>
<b>EXPENDITURES</b>				
<b>TRANSPORTATION</b>				
Repairs and maintenance	3,992,579	3,992,579	3,653,933	338,646
Improvements	732,000	732,000	1,014,970	(282,970)
Machinery	1,067,383	1,067,383	973,194	94,189
Miscellaneous	589,419	589,419	535,929	53,490
Snow removal	700,000	700,000	838,377	(138,377)
Total Transportation	<u>7,081,381</u>	<u>7,081,381</u>	<u>7,016,403</u>	<u>64,978</u>
<b>EMPLOYEE BENEFITS</b>				
Retirement system	558,139	558,139	445,547	112,592
Social security	389,338	389,338	375,441	13,897
Workers' compensation	500,000	500,000	333,091	166,909
Life insurance	500	500	206	294
Unemployment benefits	7,000	7,000	44,930	(37,930)
Disability benefits	700	700	382	318
Hospital, medical, and dental	1,597,530	1,597,530	1,606,016	(8,486)
Other employee benefits	123,126	123,126	97,414	25,712
Total Employee Benefits	<u>3,176,333</u>	<u>3,176,333</u>	<u>2,903,027</u>	<u>273,306</u>
<b>DEBT SERVICE</b>				
Principal	5,882,271	5,882,271	5,808,971	73,300
Interest	2,522,030	2,522,030	2,588,477	(66,447)
Bond issuance costs			35,483	(35,483)
Total Debt Service	<u>8,404,301</u>	<u>8,404,301</u>	<u>8,432,931</u>	<u>(28,630)</u>
Total Expenditures	<u>18,662,015</u>	<u>18,662,015</u>	<u>18,352,361</u>	<u>309,654</u>
<b>Excess of Revenues Over Expenditures</b>	<u>135,724</u>	<u>135,724</u>	<u>1,129,731</u>	<u>994,007</u>
<b>Other Financing Sources</b>				
Premium on debt issuance			4,031	4,031
Total Other Financing Sources	<u>-0-</u>	<u>-0-</u>	<u>4,031</u>	<u>4,031</u>
<b>Net Change in Fund Balance</b>	<u>\$ 135,724</u>	<u>\$ 135,724</u>	<u>1,133,762</u>	<u>\$ 998,038</u>
<b>Fund Balance at Beginning of Year</b>			7,014,374	
<b>Fund Balance at End of Year</b>			<u>\$ 8,148,136</u>	

**TOWN OF BABYLON**  
**SPECIAL DISTRICTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
REAL PROPERTY TAXES				
Special assessments	\$ 14,587,027	\$ 14,587,027	\$ 14,587,027	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	627,039	627,039	584,892	(42,147)
USE OF MONEY AND PROPERTY				
Interest earnings	46,667	46,667	3,138	(43,529)
Total Revenues	<u>15,260,733</u>	<u>15,260,733</u>	<u>15,175,057</u>	<u>(85,676)</u>
<b>EXPENDITURES</b>				
PUBLIC SAFETY				
Fire protection districts	14,301,274	14,301,274	14,225,266	76,008
HEALTH				
Ambulance districts	1,340,872	1,340,872	1,341,622	(750)
HOME AND COMMUNITY SERVICES				
Water supply districts	103,286	103,286	100,304	2,982
Total Expenditures	<u>15,745,432</u>	<u>15,745,432</u>	<u>15,667,192</u>	<u>78,240</u>
<b>Net Change in Fund Balance</b>	<u>\$ (484,699)</u>	<u>\$ (484,699)</u>	(492,135)	<u>\$ (7,436)</u>
<b>Fund Balance at Beginning of Year</b>			<u>3,403,705</u>	
<b>Fund Balance at End of Year</b>			<u>\$ 2,911,570</u>	

**TOWN OF BABYLON**  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS  
December 31, 2011

<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>
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%