

TOWN OF BABYLON
FINANCIAL STATEMENTS

Year Ended December 31, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York (the "Town"), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following blended component units: Babylon Human and Therapeutic Service Institute, Inc., Town of Babylon Senior Citizens Community Services, Inc., and Town of Babylon Youth Development Research Institute, Inc., which in total represent less than 1% of each of the assets/deferred outflow of resources, net position and revenues of the governmental activities, and less than 1% of each of the assets fund balance and revenues of the governmental funds as of and for the year ended December 31, 2018. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended component units mentioned above is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Babylon Human and Therapeutic Service Institute, Inc., Town of Babylon Senior Citizens Community Services, Inc., and Town of Babylon Youth Development Research Institute, Inc., blended component units, were not audited in accordance with *Government Auditing Standards*.

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

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

BEYOND THE NUMBERS...

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

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

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

www.avz.com
INDEPENDENT MEMBER OF BKR INTERNATIONAL

Opinions

In our opinion, based on our audit and the reports of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York, as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 and Note 6 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Our opinion is not modified with respect to this matter. Accordingly, the unrestricted net position as of January 1, 2018 has been restated.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019, on our consideration of the Town of Babylon, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Babylon, New York's internal control over financial reporting and compliance.

Abert, Vajzo, Zel & Long P.C.

Hauppauge, New York
August 20, 2019

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

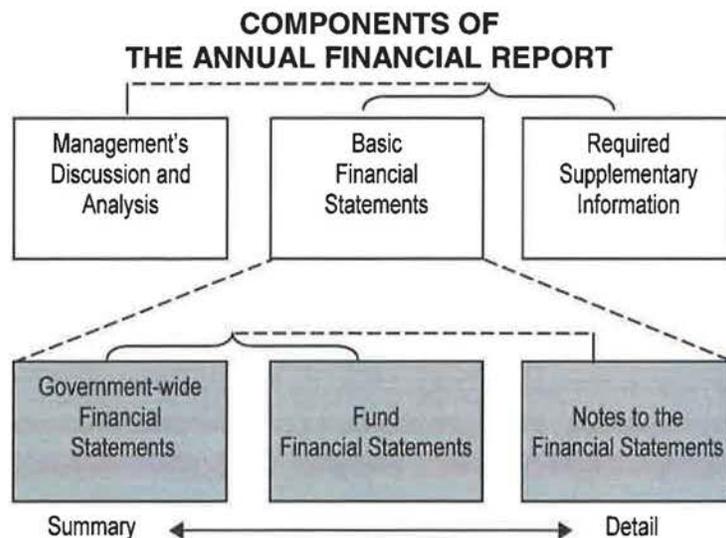
As management of the Town of Babylon, New York (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

- During fiscal year 2018, the Town implemented Governmental Accounting Standards Board ("GASB") Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", resulting in a decrease in beginning net position of \$101,940,510, of which \$100,202,425 was related to governmental activities and \$1,738,085 was related to business-type activities.
- The assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of 2018 by \$9,018,276 (net position) of which \$3,233,020 was related to the governmental activities and \$5,785,256 was related to the business-type activities.
- The Town's net position related to governmental activities increased by \$3,336,809, or 3.33%, from the current year activity, which excludes the effects of the implementation of GASB Statement No. 75.
- The Town's business-type activities reported an increase in net position of \$2,458,379 of which, excluding the effects of the implementation of GASB Statement No. 75, is attributable to grant revenue received by the Town's local development corporation, and a new blended component unit reported within the business-type activities as of December 31, 2018.
- As of the close of 2018, the Town's governmental funds reported combined ending fund balances of \$132,693,952. Of this amount, \$5,449,756 is not in spendable form or is required to remain intact. The remaining \$127,244,196 or approximately 95.89% of total fund balances is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion (see Note 2.B).
- At the end of 2018, the Town's total fund balance for the general fund was \$54,060,867, an increase of \$907,601 or 1.71% from the prior year. The unassigned fund balance for the general fund was \$30,692,092.
- The Town's total bonded debt (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums) was \$165,768,350 for the Town's governmental and business-type activities. The total bonded debt decreased by 1.09% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Financial Statements

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

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

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

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

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

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

Business-Type Activities - The Town's business-type activities include reporting the operations of leasing its water plant to the Suffolk County Water Authority, the water system at Oak Beach and the activities of the Town's local development corporation.

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

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, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the six (6) major funds. The general fund, residential garbage district fund, commercial garbage district fund, highway fund, capital projects fund and special districts fund are reported as major funds. Data from the five (5) other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Fund

The Town maintains one type of proprietary fund which is classified as an enterprise fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water district funds and the local development corporation.

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

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Town's other financial statements because the resources of those funds are not available to support the Town's programs or operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Town's pension trust fund reports the plan assets and related annual activity for the Town's sponsored length of service award programs that meet the requirements of GASB Statement No. 67, 68 and paragraph 4 of Statement No. 73.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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 and accompanying notes, this report also presents required supplementary information concerning the Town following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,018,276 at the close of the most recent year.

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

Condensed Statements of Net Position
As of December 31,

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Assets				
Current assets	\$ 226,297,195	\$ 210,635,984	\$ 3,734,795	\$ 1,763,886
Capital assets	265,751,742	259,292,538	6,328,059	6,106,614
Other noncurrent assets	28,732,242	31,095,335	1,200,000	1,200,000
Total Assets	520,781,179	501,023,857	11,262,854	9,070,500
Deferred outflow of resources	8,884,897	9,618,631	-0-	-0-
Liabilities				
Current liabilities	34,719,975	37,480,597	83,264	75,625
Noncurrent liabilities	376,407,531	285,005,827	3,006,834	1,467,413
Total Liabilities	411,127,506	322,486,424	3,090,098	1,543,038
Deferred inflows of resources	115,305,550	88,057,428	2,387,500	2,462,500
Net Position				
Net investment in capital assets	131,470,512	128,205,420	6,230,141	6,069,472
Restricted	4,666,495	4,471,106	2,050,742	
Unrestricted	(132,903,987)	(32,577,890)	(2,495,627)	(1,004,510)
Total Net Position	\$ 3,233,020	\$ 100,098,636	\$ 5,785,256	\$ 5,064,962

Total assets and deferred outflows of resources of the Town's governmental activities, as of December 31, 2018 were \$529,666,076, an increase of \$19,023,588. Total liabilities and deferred inflows of resources as of December 31, 2018 were \$526,433,056, an increase of \$115,889,204. This results in a total net position balance of \$3,233,020 for the year ended 2018, an increase of \$3,336,809, exclusive of the adjustments to the opening net position. Of the Town's net position balance, \$131,470,512 was the net investment in capital assets, while \$4,666,495 was restricted by statute or other specific purposes leaving a \$132,903,987 unrestricted deficit net position.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

By far the largest portion of the Town's governmental activities net position, \$131,470,512, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

The deficit balance of unrestricted net position does not necessarily indicate fiscal stress. At the end of the current year, the Town is able to report a positive balance in the categories of net investment in capital assets and restricted. The same situation held true for the prior year. The deficit balance in unrestricted arose primarily due to long-term liabilities which include other postemployment benefits, the proportionate share of the net employees retirement system pension liability, compensated absences, amounts due to employees' retirement systems, claims and judgments, landfill closure and postclosure care costs and length of service award programs plan liabilities that will be funded through future budgetary appropriations when they become payable in future periods.

Total assets of the Town's business-type activities, as of December 31, 2018, were \$11,262,854 an increase of \$2,192,354. Total liabilities and deferred inflows of resources as of December 31, 2018 were \$5,477,598, an increase of \$1,472,060. This results in a total net position balance of \$5,785,256 for 2018, an increase of \$2,439,019, exclusive of the adjustments to the opening net position. Of the business-type activities net position balance, \$6,230,141 was the net investment in capital assets, \$2,050,742 was restricted by statute or other specific purposes, leaving a \$2,495,627 unrestricted deficit net position.

Condensed Statement of Activities and Changes in Net Position – Primary Government
 For the years ended December 31,

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Program Revenue				
Charges for services	\$ 59,104,835	\$ 59,856,623	\$ 105,000	\$ 75,000
Operating grants and contributions	16,567,864	14,656,819	2,134,250	
Capital grants and contributions	11,970,587	3,257,777	357,375	88,071
Total Program Revenues	<u>87,643,286</u>	<u>77,771,219</u>	<u>2,596,625</u>	<u>163,071</u>
General Revenues				
Real property taxes	81,272,891	80,882,656		
Other real property tax items	2,844,344	3,062,234		
Non-property tax items	4,908,208	4,930,571		
Interest earnings	1,407,637	744,929	19,136	7,893
Gain on sale of capital assets	343,137	205,378		
Mortgage tax	5,431,206	5,127,340		
State aid	1,115,651	1,115,651		
Other	464,405	438,160	328,910	404,600
Transfers	-	-	19,360	-
Total General Revenues and Transfers	<u>97,787,479</u>	<u>96,506,919</u>	<u>367,406</u>	<u>412,493</u>
Total Revenues	<u>185,430,765</u>	<u>174,278,138</u>	<u>2,964,031</u>	<u>575,564</u>

(continued)

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Condensed Statement of Activities and Changes in Net Position – Primary Government (continued)
For the years ended December 31,

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Program Expenses				
General government support	24,068,208	23,698,771		
Public safety	24,734,556	23,884,776		
Health	6,031,394	6,212,241		
Transportation	29,448,656	26,108,053		
Economic assistance and opportunity	334,483	173,213	126,803	
Culture and recreation	21,958,823	21,792,210		
Home and community services	70,599,262	68,370,628	378,849	515,898
Interest on debt	4,918,574	5,165,795		
Total Program Expenses	182,093,956	175,405,687	505,652	515,898
Change in net position	3,336,809	(1,127,549)	2,458,379	59,666
Net position, beginning of year, as reported	100,098,636	110,708,227	5,064,962	5,005,296
Effect of prior period adjustment *		(8,923,615)		
Cumulative effect of change in accounting principle **	(100,202,425)	(558,427)	(1,738,085)	
Net position, beginning of year, as restated	(103,789)	101,226,185	3,326,877	5,005,296
Net position, end of year	\$ 3,233,020	\$ 100,098,636	\$ 5,785,256	\$ 5,064,962

*The Town's financial statements presented herein for the year ended December 31, 2017 and the effect of the prior period adjustment due to applying GASB Statements No. 67, "Financial Reporting for Pension Plans – an Amendment of GASB 25" and No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB 27" to the applicable Town sponsored length of service award programs is shown as an adjustment to the beginning net position of fiscal year 2017. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the prior period adjustment to beginning net position of fiscal year 2017.

**The Town's 2018 and 2017 condensed statement presented above reflect the cumulative effect of applying the GASB Statements noted below as an adjustment to the beginning net position:

- 2018 – GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"
- 2017 – GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68"

Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to beginning net position of fiscal years 2018 and 2017.

Net position from all governmental activities increased by \$3,336,809 in the current year. This is excluding the cumulative effect of a change in accounting principle that was reported as a decrease to the beginning of year net position in the amount of \$100,202,425. Key elements of the governmental activities are:

- Overall program revenues increased by \$9,872,067 from the prior year.
- There was a minimal decrease of \$751,788 in charges for services.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- Operating grants and contributions increased by \$1,911,045 from the prior year, primarily due to increase in grant revenues for the Housing Choice Voucher program (\$1,082,646), the Home Investment Partnership Program (\$228,415), and Community Development Block Grant (\$676,626) compared to the prior year.
- Capital grants and contributions increased by \$8,712,810 compared to the prior year, primarily related to the timing of certain projects and the related reimbursements. The Town recognized more grant revenues related to the Community Development Block Grant Disaster Recovery Program (\$7,797,478), Suffolk County Van Bourgondien grant (\$221,400), NYSERDA Van Bourgondien grant (\$300,000) and the NYS Office of the Parks grant (\$426,657).
- General revenues increased by \$1,280,560 from the prior year, primarily due to an increase in interest earnings and real property taxes (excluding special assessments), mortgage tax and gain on sale of capital assets in the amounts of \$662,708, \$390,235, \$303,866 and \$137,759 respectively. This was offset by a decrease in other real property tax items in the amount of \$217,890.
- Overall program expenses increased by \$6,688,269 from the prior year.
- General government support expenses increased from the prior year by \$369,437, primarily a result of an increase in compensated absence expenses (\$205,664) and central garage program operations (\$182,157).
- Public safety expenses increased by \$849,780 compared to prior year, primarily a result of an increase in program operations (\$408,807), an increase in the length of service award program expense (\$174,937) and an increase in the allocation of employee benefits (113,740).
- Transportation expenses increased from the prior year by \$3,340,603, a result of Community Development Block Grant expenditures (\$7,770,317) which was offset by a decrease in capital project expenditures (\$3,345,879) as well as a decrease in depreciation expense (\$998,400).
- Economic assistance and opportunity expenses as well as culture and recreation expenses increased slightly in the amounts of \$161,270 and \$166,613, respectively.
- Home and community expenses increased from the prior year by \$2,228,634, a result of an increase in landfill closure and postclosure care costs (\$5,917,431), Community Development Block Grant expenditures (\$637,166) the loss on the sale of Property Held for Resale (\$518,907) and Housing Choice Voucher program costs (\$349,203), which were offset by a decrease in litigation fees for a settlement recognized in the prior year (\$4,100,000).
- Interest recognized on debt decreased by \$247,221 compared to the prior year.

Net position from the business-type activities increased by \$2,458,379 in the current year. This is excluding the cumulative effect of a change in accounting principle that was reported as a decrease to the beginning of year net position in the amount of \$1,738,085. During 2018, the Town of Babylon Local Development Corp was absorbed into the business-type activities, which accounted for \$2,332,521 of the increase in net position at December 31, 2018. The current year program revenues increased by \$2,433,554, primarily due to operating grants received by the Local Development Corp. General revenues decreased by \$64,447. Program expenses slightly decreased by \$10,246.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
General government support	\$ 24,068,208	\$ 23,698,771	\$ 3,192,767	\$ 3,560,194	\$ (20,875,441)	\$ (20,138,577)
Public safety	24,734,556	23,884,776	4,205,014	4,062,074	(20,529,542)	(19,822,702)
Health	6,031,394	6,212,241	1,762,812	1,644,948	(4,268,582)	(4,567,293)
Transportation	29,448,656	26,108,053	10,240,604	3,195,327	(19,208,052)	(22,912,726)
Economic assistance and opportunity	334,483	173,213	37,231	22,674	(297,252)	(150,539)
Culture and recreation	21,958,823	21,792,210	6,427,601	4,500,347	(15,531,222)	(17,291,863)
Home and community services	70,599,262	68,370,628	61,777,257	60,785,655	(8,822,005)	(7,584,973)
Interest on debt	4,918,574	5,165,795			(4,918,574)	(5,165,795)
	<u>\$ 182,093,956</u>	<u>\$ 175,405,687</u>	<u>\$ 87,643,286</u>	<u>\$ 77,771,219</u>	<u>\$ (94,450,670)</u>	<u>\$ (97,634,468)</u>

The total cost of all governmental activities this year was \$182,093,956. The net cost of these services after being subsidized by programs revenues of \$87,643,286 was \$94,450,670.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

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

At December 31, 2018, the Town's governmental funds reported total ending fund balances of \$132,693,952 an increase of \$5,968,917 in comparison with the prior year. The category breakdown is as follows:

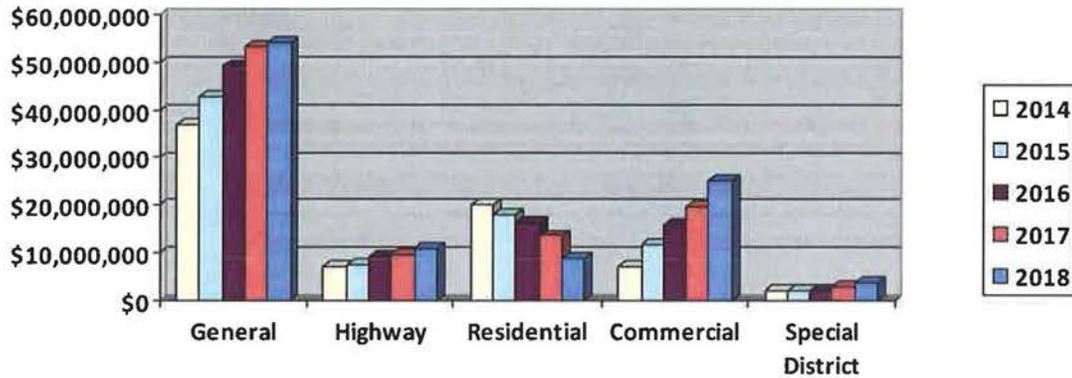
- **Nonspendable fund balance** - \$5,449,756 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$33,029,607 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$66,186,893 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$28,027,696, (residual net resources) is the remaining fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Below is a summary of the Town's major funds' fund balances for 2014 through 2018.



The Town began the year with an anticipated overall \$3,436,026 (including prior year encumbrances of \$254,140) decrease resulting from the appropriation of fund balance for the 2018 budget. Total revenues increased from the prior year by \$11,484,455 primarily a result of the increase federal aid, sale of property and compensation for loss and use of money and property, in the amounts of \$9,760,169, \$1,065,005 and \$1,051,441, respectively, which was offset by a decrease in fines and forfeitures in the amount of \$325,646.

Overall, governmental expenditures increased by \$4,371,743 from the prior year. This is primarily due to an increase in transportation costs in the amount of \$6,973,164, a result of increased costs related to the Community Development Block Grant, which was offset by a decrease in capital outlay costs in the amount of \$2,159,000, a result of the timing of ongoing capital projects as well as a decrease in debt service principal and interest payments in the amounts of \$2,886,999 and \$315,091, respectively.

Net other financing sources decreased by \$1,934,129 compared to prior year, primarily a result of overall lower proceeds bonds and refunding bonds, in the amount of \$10,686,650, offset by less payments made to refunding bond escrow agent and higher premium on bond obligation in the amounts of \$7,800,000 and \$920,804, respectively.

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 \$54,060,867, increasing \$907,601 or 1.71% from the prior year. Of this amount, \$4,105,068 is not in spendable form (property held for resale and inventory) and \$14,688,108 is restricted for debt service and for future proceeds from the sale of property held for resale which will be restricted for debt service once received. Of the remaining fund balance of \$35,267,691, \$4,530,979 has been assigned by the Town Board for the subsequent year's budget, \$44,620 has been assigned for purchase orders by the Town Comptroller and \$30,692,092 is shown as unassigned fund balance.

The key elements of the fund balance increase of \$907,901 are as follows:

- Overall revenues exceeded the budgeted expectations by \$2,333,042, due to non-property tax items, which was over the budget by \$758,208, a result of a higher collections of franchise fees than expected, as well as Town Clerk's fees exceeding budget by \$584,145, a result of the Town hiring an outside company to assist with the collection of fees related to abandoned properties, interest and earnings recognized in the current year as well as refunds of prior years' expenditures which exceeded the budget by \$341,697 and \$229,169, respectively.
- Actual revenues increased by \$1,685,456 compared to prior year, which is related to the general fund's increase in the sale of property and compensation for loss in the amount of \$1,065,005, which is primarily attributable to the Town selling property to the Babylon Bus Lot of \$950,000, as well as an increase in use of money and property of \$681,328 which is a result of higher interest earnings.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget in the amount of \$504,791. This is primarily due to a lower than anticipated costs within the general government support function in the amount of \$343,313, which were most significant in central data processing, traffic violations bureau, buildings, assessor and comptroller departments. The health function also had lower than anticipated costs in the amount of \$80,604, which were related to expenditures in the narcotics addiction and control program and the nutrition program.
- Actual expenditures increased by \$1,478,991 compared to the prior year primarily due to the increase in general government support, home and community and culture and recreation expenditures in the amounts of \$733,745, \$586,044 and \$422,066, respectively. The general government support increase is related to an increase in the central garage and central fuel facility departmental costs (\$280,737), Buildings departmental costs (\$207,741) and comptroller departmental costs (\$152,459). Home and community increase is attributable to a loss recognized on the sale of property held for resale (\$518,907). Culture and recreation expenditures primarily related to higher costs in the parks department and youth programs. There were also minimal increases in public safety in the amount of \$171,161.
- Net other financing sources (uses) decreased by \$3,436,989 due to an increase in operating transfers out to fund capital projects in the current year.

Residential Garbage District Fund

At the end of the current year, the total fund balance of the residential garbage district fund was \$8,918,641, decreasing \$4,736,978 or 34.69% from the prior year. Total fund balance is as follows: \$2,309,520 has been assigned by the Town Board for the subsequent year's budget, \$45,520 has been assigned for purchase orders by the Town Comptroller and \$6,563,601 is assigned for residential garbage district purposes.

The key elements of the fund balance decrease of \$4,736,978 are as follows:

- There was a budgeted use of prior year fund balance in the amount of \$1,183,863 (including prior year encumbrances of \$4,146). During 2018, the Town appropriated an additional \$3,109,676 of the prior year fund balance, which included funding additional professional and technical services in the amount of \$1,780,361 and transfers out to the capital projects fund to fund the Ashfill Expansion project in the amount of \$1,103,782.
- Total revenues fell short of budgeted expectations by \$488,973, a result of less departmental income revenues than anticipated in the amount of \$529,164, which was offset by interest and earnings revenue that was recognized in the current year and not budgeted for in the amount of \$39,309.
- Overall actual revenues decreased by \$65,447 compared to the prior year, a result of a decrease in the Long Island Green Homes charges received in the current year compared to prior year in the amount of \$101,174, which was offset by an increase of \$33,897 in interest earnings over the prior year.
- Total expenditures were under budget by \$45,534, primarily due to less refuge and garbage fees and landfill closure/post closure costs disbursed than anticipated in the amounts of \$35,338 and \$10,190, respectively.
- Actual expenditures were greater than last year by \$709,173 mostly due to increases in professional and technical services compared to the prior year in the amount of \$763,843 offset by a decrease in insurance expenses in the amount of \$44,834.
- Other financing uses were in line with budgeted expectations.
- Actual other financing sources (uses) increased from the prior year in the amount of \$1,073,619 primarily due to operating transfer activity that took place in the current year that was not necessary in 2017.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Commercial Garbage District Fund

At the end of the current year, the total fund balance of the commercial garbage district fund was \$25,212,163 increasing \$5,369,987 or 27.06% from the prior year. Total fund balance is as follows: \$25,812 has been assigned for purchase orders by the Town and \$25,186,351 is assigned for commercial garbage district purposes.

The key elements of the fund balance increase of \$5,369,987 are as follows:

- Overall revenues were under budget by \$1,437,612, a result of less department revenues than anticipated in the amount of \$1,438,498.
- Actual revenues decreased by \$1,270,964 compared to the prior year due to less refuse and garbage fees collected in the amount of \$1,431,933 over the prior year, offset by an increase in interest earnings of \$144,838.
- Total expenditures were under budget by \$6,807,599 due to a surplus in the refuse and garbage expenditures in the amount of \$6,021,967, resulting from under realized professional and technical service fees (\$5,853,740) equipment costs (\$49,449) and salaries (\$79,953). Additional surplus resulted in repairs and maintenance related to the landfill closure/post closure costs of \$160,666 as well as unrealized bond principal payments in the amount of \$425,000.
- Actual expenditures decreased from the prior year in the amount of \$3,859,922, primarily a result of a reduction in a litigation settlement costs in the amount of \$4,000,000.
- Other financing sources (uses) were in line with budgeted expectations.
- Actual other financing uses increased from the prior year in the amount of \$1,140,740 primarily due to operating transfer activity that took place in the current year that was not necessary in 2017.

Highway Fund

At the end of the current year, the total fund balance of the highway fund was \$10,959,941 increasing \$1,420,100 or 14.89%, from the prior year. Of this amount, \$390,100 is not in spendable form (inventory), \$65,676 has been restricted for debt service, \$44,115 has been assigned by the Town Board for the subsequent year's budget, \$2,612 has been assigned for purchase orders by the Town Comptroller and the remaining \$10,457,438 is assigned for highway purposes.

The key elements of the fund balance increase of \$1,420,100 are as follows:

- Total revenues exceeded budgeted expectations by \$413,303, primarily a result of the Town receiving additional payments in lieu of taxes, use of money and property, license and permit revenues and recognizing a refund of prior years' expenditures in the amounts of \$161,387, \$118,185, \$110,238 and \$23,238, respectively, which were not anticipated.
- Actual revenues increased from the prior year by \$46,260, due to an increase in interest earnings, licenses and permits and state aid in the amount of \$85,566, \$66,755 and \$7,345, respectively, in comparison with the prior year. This increase was offset by a decrease in real property taxes and payments in lieu of taxes and miscellaneous sources received in the amounts of \$35,780, \$60,964 and \$16,662, respectively, compared to the prior year.
- Total expenditures were under budget by \$942,455 due to a surplus in the transportation expenditures related to snow removal maintenance of streets and street administration in the amounts of \$612,950, \$168,175 and \$84,131, respectively.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Highway Fund (continued)

- Actual expenditures were lower than prior year by \$1,185,634, a result of the decrease in expenditures for in debt service payments and snow removal expenditures in the amounts of \$992,180 and \$423,685, respectively, offset by increases in expenditures related to street maintenance in the amount of \$346,236.
- Other financing sources exceeded budgeted expectations in the amount of \$78,155 primarily due to the Town not budgeting for operating transfers in amounting to \$110,000, offset by excessively budgeting for premiums on bond obligations in the amount of \$31,845..
- Net actual other financing sources decreased from the prior year in the amount of \$164,784.

Capital Projects Fund

At the end of the current year, the capital projects fund had a total fund balance of \$17,019,803, an increase of \$1,923,184, or 12.74%. Of this amount, \$2,718,329 has been restricted for purchase orders or contractual obligations by the Town Comptroller and \$9,933,024 was restricted to specific capital project expenditures. The remaining balance of \$4,368,450 includes an amount of \$4,157,604 which is assigned for capital projects costs and outstanding amounts for purchases orders or contractual obligations in the amount of \$2,875,242 offset by an unassigned (negative) fund balance related to the street lighting project in the amount of \$2,664,396. This is the result of a bond that was authorized but not yet issued as of year end.

The fund balance increased in the capital projects fund by \$1,923,184 from the prior year as a result of timing differences between project expenditures and the recognition of corresponding permanent financing.

Special Districts Fund

At the end of the current year, the total fund balance of the special districts fund was \$3,840,537, an increase of \$300,950, or 8.50%, from the prior year. Of this amount, \$826,553 is not in spendable form (prepaid items), \$962,027 is restricted for length of service award program plan benefits, and the remaining \$2,051,957 is assigned for the special districts fund.

The key elements of the fund balance increase of \$300,950 is as follows:

- Total actual revenues exceeded budgeted expectations by \$122,515, a result of additional payments in lieu of taxes collected than anticipated (\$82,427), interest earnings (\$23,828) and investment income related to length of service aware program plan assets (\$16,260) that was not budgeted for.
- Actual revenues increased by \$345,255 compared to the prior year, primarily a result of an increase in real property taxes assessed \$465,864 offset by a decrease in payments in lieu of taxes received in the amount of \$98,729.
- Total expenditures were under budget by \$178,435 primarily due to less fire protection district costs than anticipated.
- Actual expenditures increased by \$539,621 compared to prior year, primarily a result of higher program operation costs for the fire protection districts (\$408,807) and the ambulance district (\$68,836), as well as a one time increase in funding costs related to the East Farmingdale Fire District (\$105,821), offset by a decrease in administration fees related to North Amityville Fire District in the amount of \$54,368.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Non-major Governmental Funds

The net change in fund balances was an increase of \$784,073.

- The part-town fund's fund balance was \$6,583,552 at December 31, 2018, which is an increase of \$528,243 from the prior year. Total revenues in the part-town fund of \$8,543,851 decreased by \$17,969 from the prior year, a result of less real property taxes assessed (\$6,647), fire inspection fees (\$133,534) and planning board fees (\$156,497), which were offset by increases in safety inspection fees (\$282,618). Actual revenues exceeded budgeted expectations by \$430,918, primarily relating to planning board fees safety inspection fees and zoning fees. Overall, total expenditures were \$8,015,608 for 2018, an increase of \$505,956 from the prior year. The increase is primarily attributable to an overall increase in employee benefits (\$174,631) and an increase in salaries in the planning division, safety inspection and public safety (\$262,320). Actual expenditures were lower than final budgeted amounts by \$97,324 primarily attributable actual salaries amounting to \$68,658 under budget.
- The total fund balance of the community development agency fund at December 31, 2018 was \$830,537, a decrease of \$165,492 from the prior year. Total revenues were \$9,936,951, an increase of \$8,127,641, from the prior year due to additional federal aid recognized related to the Community Development Block Grant Disaster Recovery. Total expenditures at December 31, 2018 were \$10,102,443, an increase of \$8,047,321 compared to the prior year. This increase is a result of additional federal aid expenditures related to the Community Development Block Grant Disaster Recovery (\$8,200,306).
- The total fund balance in the other special revenue fund at December 31, 2018 was \$1,733,384, which was an increase of \$204,097 from the prior year, which is primarily a result of an increase in the satisfaction of mortgages for the Affordable Housing Program.
- The total fund balance of the housing assistance agency fund at December 31, 2018 was \$1,478,967, an increase of \$106,220 from the prior year, which is primarily a result of the granting agency off-setting program related revenue to HUD-held funds, resulting in the increase in the housing agency's fund balance.

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, 2018 and 2017, the amount of the change and percentage change in relation to the prior year.

	2018	2017	\$ Change	% Change
Revenues (in Millions)				
Real property taxes	\$103.5	\$103.1	\$0.4	0.39%
Other real property tax items	2.8	3.1	-0.3	-9.68%
Non-property tax items	4.9	4.9	0.0	0.00%
Department income	32.8	34.5	-1.7	-4.93%
Use of money and property	4.5	3.5	1.0	28.57%
Licenses and permits	0.5	0.4	0.1	25.00%
Fines and forfeitures	1.1	1.4	-0.3	-21.43%
Sale of property and compensation for loss	1.1	0.0	1.1	100.00%
Interfund revenue	0.1	0.1	0.0	0.00%
Miscellaneous local sources	3.3	2.3	1.0	43.48%
State aid	9.3	8.9	0.4	4.49%
Federal aid	24.1	14.3	9.8	68.53%
Total Governmental Fund Revenues	\$188.0	\$176.5	\$11.5	6.52%

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Summary of All Governmental Funds Revenues and Expenditures (continued)

Expenditures (in Millions)	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
General government support	\$16.1	\$15.5	\$0.6	3.87%
Public safety	21.4	20.5	0.9	4.39%
Health	5.8	5.7	0.1	1.75%
Transportation	17.7	10.8	6.9	63.89%
Economic assistance and opportunity	0.3	0.2	0.1	50.00%
Culture and recreation	12.1	10.8	1.3	12.04%
Home and community services	60.4	61.8	-1.4	-2.27%
Employee benefits	20.5	19.3	1.2	6.22%
Capital outlay	22.1	24.2	-2.1	-8.68%
Debt Service:				
Principal	16.5	19.4	-2.9	-14.95%
Interest	5.3	5.6	-0.3	-5.36%
Bond issuance costs	0.1	0.2	-0.1	-50.00%
Total Governmental Fund Expenditures	<u><u>\$198.3</u></u>	<u><u>\$194.0</u></u>	<u><u>\$4.3</u></u>	<u><u>2.22%</u></u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2018 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year the Town increased the original budget for total revenue by \$18,486 and decreased the original budget for other financing sources related to less than anticipated insurance recovery costs by \$8,486. The original budget for the Town's expenditures decreased by \$40,000 and other financing uses for operating transfers out increased by \$50,000. The main components of the overall increase in the Town's appropriations were increases in public safety, culture and recreation, home and community and debt service expenditures in the amounts of \$195,136, \$536,624, \$564,327, and \$321,809 respectively, which were offset by decreases in general government support, health and employee benefit expenditures in the amounts of \$929,130, \$245,696 and \$517,485. Other financing sources (uses) decreased by \$58,486 due to the overall effect of interfund transfers and insurance recoveries. There are no variances between the budgeted and actual amounts that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of final budgets and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2018 amounted to \$265,751,742 and \$6,328,059, respectively. The Town's capital assets include land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges and the water system infrastructure.

In 2018, the Town of Babylon's major capital expenditures were as follows:

Various highway road improvements	\$	7,678,075
Copiague American Venice Bridges		4,299,539
Various park improvements		4,225,666
Reconstruction of Town buildings		2,582,000
Street Lighting LED Project		2,664,396
Consolidated Local Street and Highway Improvement Program		1,714,109

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital Assets at December 31, 2018 and 2017
(Net of depreciation)

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Land *	\$ 26,411,985	\$ 32,635,424	\$ 468,664	\$ 194,964
Construction in progress	33,759,973	25,261,198	285,136	176,972
Building and improvements	84,203,937	85,724,747	389,876	414,066
Machinery and equipment	12,525,304	11,990,709	750	2,601
Infrastructure	108,850,543	103,680,460	5,183,633	5,318,011
Totals	\$ 265,751,742	\$ 259,292,538	\$ 6,328,059	\$ 6,106,614

*During 2017, the Town reclassified property held for resale in the amount of \$274,789 to Town owned land.

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

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

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$164,568,350 and long-term bond anticipation notes outstanding of \$1,200,000. The entire debt is backed by the full faith and credit of the Town. The Town also has \$3,123,000 outstanding in guaranteed assistance contract loans payable.

Outstanding Debt

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
General obligation bonds payable *	\$ 164,568,350	\$ 166,385,000		
Bond anticipation notes			\$ 1,200,000	\$ 1,200,000
Guaranteed assistance contract loans payable	3,123,000	3,303,000		
	\$ 167,691,350	\$ 169,688,000	\$ 1,200,000	\$ 1,200,000

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

In 2018 the Town's total long-term debt above decreased by \$1,996,650 or 1.18% which is a net change in the debt retired and new borrowings.

During November 2017, Standard and Poor's Corporation reaffirmed the Town's credit rating of AA+ and Moody's Investors Service, Inc. upgraded the Town's underlying rating from Aa1 to Aaa, the highest bond rating available.

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 \$1,437,318,639. The percentage of debt contracting exhausted at December 31, 2018 was 10.7% of the current debt limitation.

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

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

WYANDANCH RISING COMMUNITY REDEVELOPMENT PROJECT

The Town has embarked on a major downtown revitalization effort for the Hamlet of Wyandanch located in the northern central part of the Town. In connection with such redevelopment, the Town designated the downtown Wyandanch business district an *Urban Renewal Area* in accordance with Article 15 of the General Municipal Law. The redevelopment is focused on the downtown Wyandanch area which surrounds the existing Long Island Railroad station of the same name.

Since 2008, the Town has been purchasing commercial and residential properties in Wyandanch with available funds which have been reimbursed with issuance of general obligation bonds. As property is purchased in the downtown Wyandanch area, the Town plans to complete most pre-development work for the redevelopment project including re-zoning, securing necessary permits and community approvals, demolishing existing structures, remediating and grading the properties. Phase I of the construction for the revitalization of the Urban Renewal Area began in the summer of 2013 and consists of the construction of new residential, retail, commercial and civic space in downtown Wyandanch. To date, three buildings have been completed: a five-story, 91-unit residential building with approximately 17,500 square feet of ground floor retail space, a four-story, 86-unit residential building, also with 17,500 square feet of ground floor retail space and a five-story parking garage built by the MTA/LIRR. A fourth residential building of 124 units totaling 124,000 square feet is currently under construction and should be completed by the fourth quarter of 2020.

There are several additional structures in the pre-construction phase of development; a 1,200 square foot building to be used as the new Wyandanch Resource Center and a senior living residential building attached to the parking garage. The 94-unit senior living building will be operated by the non-profit group Self Help. In addition, an approximately 90,000 square foot health and wellness center has been proposed for Wyandanch Plaza and is currently seeking private and public funding sources.

The Town has begun the planning and development of the southeastern portion of the development are, which is proposed to include two mixed use buildings, two residential buildings and a series of townhouses for first time homebuyers.

In connection with Phase I and pursuant to a Master Developer Designation Agreement, dated as of October 11, 2011 among the Town, Wyandanch Rising Inc. and WR Communities-A LLC, the Residential Facilities have been sold to affiliates of the Albanese Organization, Inc. the private developer selected by the Town for development of Phase I in accordance with Article 15 of the General Municipal Law. The term of the Master Developer Designation Agreement has been extended to December 31, 2021. It is currently anticipated that Phase I of the redevelopment project will be completed during the fourth quarter of 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Town's elected and appointed officials considered many factors when setting the upcoming 2019 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 2019 budget lines.
- Revenues are subject to regional economic trends. The Town notes an increase in mortgage tax revenue and interest earnings on deposited funds in the General Fund which is expected to offset the planned use of fund balance. As a result, the Town is expecting the general fund's fund balance to remain stable at the close of 2019.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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

- 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. No local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however the permitted increase will not be less than 1%. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or local law.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF BABYLON
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
Year Ended December 31, 2018

	Primary Government			Non-major Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 188,420,030	\$ 3,650,945	\$ 192,070,975	\$ 4,793,652
Cash with fiscal agent	332,805		332,805	
Restricted cash	115,555		115,555	
Accounts receivable, net of allowance and noncurrent portion	4,288,416	115,815	4,404,231	517,247
Taxes receivable	21,065,215		21,065,215	
Long Island Green Homes receivable, net of noncurrent portion	1,158,743		1,158,743	
Internal balances	64,746	(64,746)	-	
Due from other governments, net of noncurrent portion	8,277,406	32,781	8,310,187	
Deposit to purchase land				25,000
Inventory	725,313		725,313	
Prepaid items	1,787,569		1,787,569	19,236
Property held for resale	61,397		61,397	
Total Current Assets	<u>226,297,195</u>	<u>3,734,795</u>	<u>230,031,990</u>	<u>5,355,135</u>
Noncurrent Assets:				
Accounts receivable, noncurrent portion	6,811,131		6,811,131	
Long Island Green Homes receivable, noncurrent portion	3,664,915		3,664,915	
Due from other governments, noncurrent portion	57,640	1,200,000	1,257,640	
Property held for resale	17,236,529		17,236,529	
Non-depreciable capital assets	65,347,224	753,800	66,101,024	41,891
Capital assets, net of accumulated depreciation/ amortization	200,404,518	5,574,259	205,978,777	
Length of service award program plan assets	962,027		962,027	
Total Noncurrent Assets	<u>294,483,984</u>	<u>7,528,059</u>	<u>302,012,043</u>	<u>41,891</u>
Total Assets	<u>520,781,179</u>	<u>11,262,854</u>	<u>532,044,033</u>	<u>5,397,026</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	134,671		134,671	
Pension - employees' retirement system	6,925,208		6,925,208	193,469
Length of service award programs	1,825,018		1,825,018	
Total Deferred Outflows of Resources	<u>8,884,897</u>	<u>-0-</u>	<u>8,884,897</u>	<u>193,469</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	9,553,907	83,264	9,637,171	2,592
Accrued interest payable	1,328,252		1,328,252	
Due to other governments, net of current portion	912,484		912,484	1,205,152
Unearned revenues	411,736		411,736	
Long-term obligations due within one year	22,513,596		22,513,596	49,019
Total Current Liabilities	<u>34,719,975</u>	<u>83,264</u>	<u>34,803,239</u>	<u>1,256,763</u>
Noncurrent Liabilities:				
Unearned revenues	533,882		533,882	
Due to other governments	6,811,131		6,811,131	
Long-term obligations due in more than one year	369,062,518	3,006,834	372,069,352	628,686
Total Noncurrent Liabilities	<u>376,407,531</u>	<u>3,006,834</u>	<u>379,414,365</u>	<u>628,686</u>
Total Liabilities	<u>411,127,506</u>	<u>3,090,098</u>	<u>414,217,604</u>	<u>1,885,449</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	97,099,057		97,099,057	
Deferred service concession arrangement receipt		2,387,500	2,387,500	
Pension - employees' retirement system	4,534,928		4,534,928	176,517
Length of service award programs	390,720		390,720	
Other postemployment benefits	13,280,845		13,280,845	58,813
Total Deferred Inflows of Resources	<u>115,305,550</u>	<u>2,387,500</u>	<u>117,693,050</u>	<u>235,330</u>
NET POSITION				
Net investment in capital assets	131,470,512	6,230,141	137,700,653	41,891
Restricted				
Public safety	4,370		4,370	
Health	694,046		694,046	
Transportation	200,000		200,000	
Economic assistance and opportunity	2,405	2,050,742	2,053,147	
Culture and recreation	323,035		323,035	
Home and community services	3,442,639		3,442,639	
Unrestricted	(132,903,987)	(2,495,627)	(135,399,614)	3,427,825
Total Net Position	<u>\$ 3,233,020</u>	<u>\$ 5,785,256</u>	<u>\$ 9,018,276</u>	<u>\$ 3,469,716</u>

See notes to the financial statements.

TOWN OF BABYLON
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
 Year Ended December 31, 2018

Function/ Program	Expenses	Program Revenues			Total Program Revenues	Net (Expenses) Revenues and Changes in Net Position			Non-major Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government support	\$ 24,068,208	\$ 3,192,767			\$ 3,192,767	\$ (20,875,441)		\$ (20,875,441)	
Public safety	24,734,556	4,205,014			4,205,014	(20,529,542)		(20,529,542)	
Health	6,031,394	764,477	\$ 998,335		1,762,812	(4,268,582)		(4,268,582)	
Transportation	29,448,656	298,958	37,278	\$ 9,904,368	10,240,604	(19,208,052)		(19,208,052)	
Economic assistance and opportunity	334,483	50	37,181		37,231	(297,252)		(297,252)	
Culture and recreation	21,958,823	4,618,282	305,674	1,503,645	6,427,601	(15,531,222)		(15,531,222)	
Home and community services	70,599,262	46,025,287	15,189,396	562,574	61,777,257	(8,822,005)		(8,822,005)	
Interest on debt	4,918,574				-0-	(4,918,574)		(4,918,574)	
Total Governmental Activities	182,093,956	59,104,835	16,567,864	11,970,587	87,643,286	(94,450,670)	\$ -0-	(94,450,670)	
Business-type Activities:									
Economic assistance and opportunity	126,803	30,000	2,134,250	273,700	2,437,950		2,311,147	2,311,147	
Home and community services	378,849	75,000		83,675	158,675		(220,174)	(220,174)	
Total Business-type Activities	505,652	105,000	2,134,250	357,375	2,596,625	-0-	2,090,973	2,090,973	
Total Primary Government	\$ 182,599,608	\$ 59,209,835	\$ 18,702,114	\$ 12,327,962	\$ 90,239,911	(94,450,670)	2,090,973	(92,359,697)	
NON-MAJOR COMPONENT UNIT:									
Economic assistance and opportunity	\$ 1,574,236	\$ 2,166,637							\$ 592,401
Total Component Units	\$ 1,574,236	\$ 2,166,637							592,401
GENERAL REVENUES:									
Real property taxes						81,272,891		81,272,891	
Other real property tax items						2,844,344		2,844,344	
Non-property tax items						4,908,208		4,908,208	
Interest and investment earnings						1,407,637	19,136	1,426,773	30,613
Gain on sale of capital assets						343,137		343,137	
Mortgage tax						5,431,206		5,431,206	
State aid						1,115,651		1,115,651	
Other						464,405	328,910	793,315	
TRANSFERS							19,360	19,360	(19,360)
Total General Revenues and Transfers						97,787,479	367,406	98,154,885	11,253
Change in Net Position						3,336,809	2,458,379	5,795,188	603,654
Net Position at Beginning of Year, as Reported						100,098,636	5,064,962	105,163,598	2,748,073
Cumulative Effect of Change in Accounting Principle						(100,202,425)	(1,738,085)	(101,940,510)	117,989
Net Position at Beginning of Year, as Restated						(103,789)	3,326,877	3,223,088	2,866,062
Net Position at End of Year						\$ 3,233,020	\$ 5,785,256	\$ 9,018,276	\$ 3,469,716

TOWN OF BABYLON
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2018

	MAJOR FUNDS						Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Fund	Special Districts Fund			
ASSETS									
Cash and cash equivalents	\$ 62,116,772	\$ 21,754,545	\$ 28,850,518	\$ 26,252,011	\$ 17,689,413	\$ 15,492,351	\$ 172,155,610	\$ 16,264,420	\$ 188,420,030
Cash with fiscal agent	267,129			65,676			332,805		332,805
Restricted cash							-0-	115,555	115,555
Accounts receivable	1,795,397	409,224	1,608,662	18,067			3,831,350	7,268,197	11,099,547
Taxes receivable	9,557,840			5,706,925		4,629,230	19,893,995	1,171,220	21,065,215
Long Island Green Homes receivable		4,823,658					4,823,658		4,823,658
Due from other funds	368,872			306,004	4,000		678,876		678,876
Due from other governments	3,284,568	15,496		575,758	2,048,568	3,754	5,928,144	2,406,902	8,335,046
Inventory	267,318			390,100			657,418	67,895	725,313
Prepaid items						826,553	826,553	2,500	829,053
Property held for resale	17,236,529						17,236,529	61,397	17,297,926
Length of service award program plan assets						962,027	962,027		962,027
Total Assets	\$ 94,894,425	\$ 27,002,923	\$ 30,459,180	\$ 33,314,541	\$ 19,741,981	\$ 21,913,915	\$ 227,326,965	\$ 27,358,086	\$ 254,685,051
LIABILITIES									
Accounts payable and accrued liabilities	\$ 1,531,410	\$ 1,571,114	\$ 960,627	\$ 307,402	\$ 2,399,852	\$ 189,573	\$ 6,959,978	\$ 2,077,695	\$ 9,037,673
Due to other funds		111,937			319,253		431,190	182,940	614,130
Due to other governments	6,742				3,073		9,815	7,713,800	7,723,615
Unearned revenue	800,823	144,795					945,618		945,618
Liabilities payable from restricted cash							-0-	115,555	115,555
Total Liabilities	2,338,975	1,827,846	960,627	307,402	2,722,178	189,573	8,346,601	10,089,990	18,436,591
DEFERRED INFLOWS OF RESOURCES									
Unearned revenue- property taxes	36,924,187	11,432,778	4,286,390	22,047,198		17,883,805	92,574,358	4,524,699	97,099,057
Unavailable revenue	1,570,396	4,823,658					6,394,054	61,397	6,455,451
Total Deferred Inflows of Resources	38,494,583	16,256,436	4,286,390	22,047,198	-0-	17,883,805	98,968,412	4,586,096	103,554,508
FUND BALANCES									
Nonspendable	4,105,068			390,100		826,553	5,321,721	128,035	5,449,756
Restricted	14,688,108			65,676	12,651,353	962,027	28,367,164	4,662,443	33,029,607
Assigned	4,575,599	8,918,641	25,212,163	10,504,165	7,032,846	2,051,957	58,295,371	7,891,522	66,186,893
Unassigned	30,692,092				(2,664,396)		28,027,696		28,027,696
Total Fund Balances	54,060,867	8,918,641	25,212,163	10,959,941	17,019,803	3,840,537	120,011,952	12,682,000	132,693,952
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 94,894,425	\$ 27,002,923	\$ 30,459,180	\$ 33,314,541	\$ 19,741,981	\$ 21,913,915	\$ 227,326,965	\$ 27,358,086	\$ 254,685,051

TOWN OF BABYLON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2018

Total Fund Balance - Governmental Funds		\$ 132,693,952
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets less accumulated depreciation are included in the Statement of Net Position:		
Capital assets - non-depreciable	\$ 65,347,224	
Capital assets - depreciable	617,697,913	
Accumulated depreciation	<u>(417,293,395)</u>	265,751,742
Prepaid retirement expenses are included in the Statement of Net Position, since the payment made in the current year is through March 31st of the subsequent year.		958,516
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds:		
Long Island Green Homes receivable	4,823,658	
Due from other governments	1,570,396	
Assets held for resale	<u>61,397</u>	6,455,451
Deferred outflows of resources are included in the Statement of Net Position.		8,884,897
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However, these liabilities are included in the Statement of Net Position:		
Bonds payable, inclusive of related premiums	(167,502,569)	
Guaranteed assistance contract loans payable	(3,123,000)	
Due to employees' retirement system	(985,318)	
Compensated absences	(5,183,677)	
Claims and judgments payable	(7,874,286)	
Estimated liability for landfill closure and postclosure care costs	(33,015,638)	
Net employees' retirement system pension liability - proportionate share	(2,592,297)	
Net length of service award programs plan liabilities	(10,543,590)	
Other postemployment benefits payable	(159,379,154)	
Length of service award program plan liabilities	<u>(1,376,583)</u>	(391,576,112)
Interest and retainage payable applicable to the Town's governmental activities is not due and payable in the current period and accordingly is not reported in the funds. However, these liabilities are included in the Statement of Net Position.		(1,728,933)
Deferred inflows of resources related to the pension plan, OPEB and length of service award programs are included in the Statement of Net Position.		<u>(18,206,493)</u>
Net Position of Governmental Activities		\$ <u>3,233,020</u>

TOWN OF BABYLON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended December 31, 2018

MAJOR FUNDS

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Fund	Special Districts Fund	Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
REVENUES									
Real property taxes	\$ 36,724,800	\$ 15,422,260	\$ 6,802,827	\$ 21,959,776		\$ 17,646,579	\$ 98,556,242	\$ 4,941,736	\$ 103,497,978
Other real property tax items	1,269,353			737,427		671,328	2,678,108	166,236	2,844,344
Non-property tax items	4,908,208						4,908,208		4,908,208
Departmental income	4,132,334	7,191,562	16,786,659				28,110,555	4,662,525	32,773,080
Use of money and property	3,554,037	389,309	218,248	138,185	\$ 104,642	41,788	4,446,209	93,584	4,539,793
Licenses and permits	231,796			263,275			495,071		495,071
Fines and forfeitures	1,116,705						1,116,705		1,116,705
Sale of property and compensation for loss	1,070,193						1,070,193		1,070,193
Interfund revenue	92,542						92,542		92,542
Miscellaneous local sources	833,573	882	886	24,993	1,106,919		1,967,253	1,330,526	3,297,779
State aid	5,373,531	65,053		1,714,109	817,561		7,970,254	1,335,376	9,305,630
Federal aid	592,906				426,657		1,019,563	23,066,046	24,085,609
Total Revenues	59,899,978	23,069,066	23,808,620	24,837,765	2,455,779	18,359,695	152,430,903	35,596,029	188,026,932
EXPENDITURES									
Current:									
General government support	15,862,433						15,862,433	258,377	16,120,810
Public safety	1,955,415					16,264,397	18,219,812	3,187,099	21,406,911
Health	2,961,561					1,794,348	4,755,909	1,000,667	5,756,576
Transportation				8,424,394			8,424,394	9,302,780	17,727,174
Economic assistance and opportunity	88,575						88,575	202,885	291,460
Culture and recreation	11,021,219						11,021,219	1,065,615	12,086,834
Home and community services	2,128,353	26,072,508	16,712,143				44,913,004	15,528,461	60,441,465
Employee benefits	11,903,941	557,138	485,446	4,360,984			17,307,509	3,222,880	20,530,389
Capital Outlay					22,077,042		22,077,042		22,077,042
Debt Service:									
Principal	7,066,382	73,421	72,577	8,609,594			15,821,974	683,026	16,505,000
Interest	2,786,500	27,749	27,727	2,111,564			4,953,540	340,166	5,293,706
Bond issuance costs	38,597	1,609		40,207			80,413		80,413
Total Expenditures	55,812,976	26,732,425	17,297,893	23,546,743	22,077,042	18,058,745	163,525,824	34,791,956	198,317,780
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,087,002	(3,663,359)	6,510,727	1,291,022	(19,621,263)	300,950	(11,094,921)	804,073	(10,290,848)
OTHER FINANCING SOURCES (USES)									
Principal amount of bond proceeds					14,508,350		14,508,350		14,508,350
Premium on refunding bond	248,914	30,163		19,078	1,210,000		1,508,155		1,508,155
Sale of capital assets	241,746						241,746		241,746
Insurance recovery	1,514						1,514		1,514
Operating transfers in	128,425			110,000	6,064,522		6,302,947		6,302,947
Operating transfers out	(3,800,000)	(1,103,782)	(1,140,740)		(238,425)		(6,282,947)	(20,000)	(6,302,947)
Total Other Financing Sources (Uses)	(3,179,401)	(1,073,619)	(1,140,740)	129,078	21,544,447	-0-	16,279,765	(20,000)	16,259,765
Net Change in Fund Balances	907,601	(4,736,978)	5,369,987	1,420,100	1,923,184	300,950	5,184,844	784,073	5,968,917
Fund Balances at Beginning of Year	53,153,266	13,655,619	19,842,176	9,539,841	15,096,619	3,539,587	114,827,108	11,897,927	126,725,035
Fund Balances at End of Year	\$ 54,060,867	\$ 8,918,641	\$ 25,212,163	\$ 10,959,941	\$ 17,019,803	\$ 3,840,537	\$ 120,011,952	\$ 12,682,000	\$ 132,693,952

TOWN OF BABYLON
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 Year Ended December 31, 2018

Net Change in Fund Balance \$ 5,968,917

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

Capital outlay	\$ 27,402,525	
Depreciation expense	(16,246,574)	
Net loss on disposal of capital assets	(3,808,137)	
Construction in progress not capitalized	(903,610)	
Donated assets	<u>15,000</u>	
		6,459,204

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. 10,016

Some revenues will not be collected for several months after the Town's year end. These are not considered "available" revenues in the governmental funds until received. The change in the amount is reported as a deferred inflow of resources in the fund statements. (1,371,039)

Mortgage tax revenues are reported in the governmental funds when considered "available" and in the Statement of Activities when "earned." 280,712

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

Amortization of deferred charges on refundings	(55,626)	
Pension related amounts - employees' retirement system	(1,486,746)	
Length of service award plan program amounts	<u>808,641</u>	
		(733,731)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The following amounts are the effect of these differences in the treatment of long-term debt and related items:

Bonds issued	(14,508,350)	
Repayment of bond principal	16,325,000	
Premiums received	(1,508,155)	
Amortization of bond premiums	359,764	
Repayment of guarantee assistance contract loans	180,000	
Employees' retirement system	247,005	
Compensated absences	(17,643)	
Claims and judgments	(216,550)	
Estimated liability for landfill closure and postclosure care costs	(5,917,431)	
Net employees' retirement system pension liability - proportionate share	4,902,382	
Net length of service award programs plan liabilities	(795,858)	
Other postemployment benefits payable	10,361,047	
Length of service award program liabilities	<u>38,912</u>	
		9,450,123

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. 54,662

Retainage is recorded as an expenditure on the fund statements when the relating capital project is substantially complete, and on the Statement of Activities when it is incurred. (30,222)

The net change in deferred inflows of resources not reported in the governmental fund statements:

Pension related amounts - employees' retirement system	(3,258,095)	
Length of service award plan program amounts	(212,893)	
Other postemployment benefits	<u>(13,280,845)</u>	
		(16,751,833)

Change in Net Position of Governmental Activities \$ 3,336,809

TOWN OF BABYLON
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
 December 31, 2018

	East Farmingdale Water District	Oak Beach Water District	Town of Babylon L.D. Corporation II	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,592,124		\$ 2,058,821	\$ 3,650,945
Accounts receivable, net of allowance	115,815			115,815
Due from other governments		\$ 32,781		32,781
Total Current Assets	<u>1,707,939</u>	<u>32,781</u>	<u>2,058,821</u>	<u>3,799,541</u>
Noncurrent Assets:				
Due from other governments		1,200,000		1,200,000
Non-depreciable capital assets	194,964	285,136	273,700	753,800
Capital assets, net of accumulated depreciation	5,574,259			5,574,259
Total Noncurrent Assets	<u>5,769,223</u>	<u>1,485,136</u>	<u>273,700</u>	<u>7,528,059</u>
Total Assets	<u>7,477,162</u>	<u>1,517,917</u>	<u>2,332,521</u>	<u>11,327,600</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	50,092	33,172		83,264
Due to other fund		64,746		64,746
Total Current Liabilities	<u>50,092</u>	<u>97,918</u>	<u>-0-</u>	<u>148,010</u>
Noncurrent Liabilities:				
Long-term obligations due in more than one year	1,806,834	1,200,000		3,006,834
Total Noncurrent Liabilities	<u>1,806,834</u>	<u>1,200,000</u>	<u>-0-</u>	<u>3,006,834</u>
Total Liabilities	<u>1,856,926</u>	<u>1,297,918</u>	<u>-0-</u>	<u>3,154,844</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipt	2,387,500			2,387,500
Total Deferred Inflows of Resources	<u>2,387,500</u>	<u>-0-</u>	<u>-0-</u>	<u>2,387,500</u>
NET POSITION				
Net investment in capital assets	5,769,223	187,218	273,700	6,230,141
Restricted				
Copiague façade renovation grant program			123,990	123,990
Affordable housing			963,376	963,376
Economic development			963,376	963,376
Unrestricted	(2,536,487)	32,781	8,079	(2,495,627)
Total Net Position	<u>\$ 3,232,736</u>	<u>\$ 219,999</u>	<u>\$ 2,332,521</u>	<u>\$ 5,785,256</u>

TOWN OF BABYLON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
 Year Ended December 31, 2018

	East Farmingdale Water District	Oak Beach Water District	Town of Babylon L.D. Corporation II	Total
OPERATING REVENUES				
Rental income from water plant	\$ 75,000			\$ 75,000
Charges for services			\$ 30,000	30,000
Total Operating Revenues	75,000	\$ -0-	30,000	105,000
OPERATING EXPENSES				
Water administration		40,672		40,672
Retiree benefits	(41,234)			(41,234)
Management and administration fees	208,248		41,543	249,791
Depreciation	160,419			160,419
Insurance	10,744			10,744
Total Operating Expenses	338,177	40,672	41,543	420,392
Loss from Operations	(263,177)	(40,672)	(11,543)	(315,392)
NON-OPERATING REVENUE (EXPENSE)				
Rental income from cell tower rentals	328,910			328,910
State aid		83,675		83,675
Interest income	17,122		2,014	19,136
Sale of lease right			273,700	273,700
Copiague façade renovation grant program			209,250	209,250
Community benefit agreement income			1,925,000	1,925,000
Copiague façade renovation grant program			(75,000)	(75,000)
Copiague façade renovation grant program fees			(10,260)	(10,260)
Transfer in			19,360	19,360
Total Non-Operating Revenue	346,032	83,675	2,344,064	2,773,771
Change in Net Position	82,855	43,003	2,332,521	2,458,379
Net Position - Beginning of Year, as Reported	4,887,966	176,996	-0-	5,064,962
Cumulative Effect of Change in Accounting Principle	(1,738,085)	-0-	-0-	(1,738,085)
Net Position - Beginning of Year, as Restated	3,149,881	176,996	-0-	3,326,877
Net Position - End of Year	<u>\$ 3,232,736</u>	<u>\$ 219,999</u>	<u>\$ 2,332,521</u>	<u>\$ 5,785,256</u>

TOWN OF BABYLON
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended December 31, 2018

	East Farmingdale Water District	Oak Beach Water District	Town of Babylon L.D. Corporation II	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, clients			\$ 30,000	\$ 30,000
Cash paid to third party management and others	\$ (236,595)	\$ (39,954)		(276,549)
Cash paid on behalf of retirees	(157,430)			(157,430)
Cash paid for contractual expenses			(41,543)	(41,543)
Net Cash Used for Operating Activities	<u>(394,025)</u>	<u>(39,954)</u>	<u>(11,543)</u>	<u>(445,522)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets		(83,641)		(83,641)
Capital grant		88,060		88,060
Due to other fund		35,535		35,535
Cash received from Copiague façade renovation grant program			209,250	209,250
Cash received from community benefit agreement income			1,925,000	1,925,000
Payments of Copiague façade renovation program			(85,260)	(85,260)
Net Cash Provided for Capital and Related Financing Activities	<u>-0-</u>	<u>39,954</u>	<u>2,048,990</u>	<u>2,088,944</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental income from cell towers	323,133			323,133
Interest income	17,123		2,014	19,137
Net Cash Provided by Investing Activities	<u>340,256</u>	<u>-0-</u>	<u>2,014</u>	<u>342,270</u>
Net increase (decrease) in cash and cash equivalents	(53,769)	-0-	2,039,461	1,985,692
Cash and Cash Equivalents at Beginning of Year	1,645,893	-0-	19,360	1,665,253
Cash and Cash Equivalents at End of Year	<u>\$ 1,592,124</u>	<u>\$ -0-</u>	<u>\$ 2,058,821</u>	<u>\$ 3,650,945</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES				
Loss from operations	\$ (263,177)	\$ (40,672)	\$ (11,543)	\$ (315,392)
Adjustments to reconcile loss from operations to net cash used for operating activities:				
Depreciation expense	160,419			160,419
Decrease in:				
Accounts payable	(17,603)	718		(16,885)
Deferred service concession arrangement receipts	(75,000)			(75,000)
Other postemployment benefits payable	(198,664)			(198,664)
Net Cash Used for Operating Activities	<u>\$ (394,025)</u>	<u>\$ (39,954)</u>	<u>\$ (11,543)</u>	<u>\$ (445,522)</u>

NONCASH CAPITAL AND FINANCING ACTIVITIES:

The Town of Babylon's L.D Corporation II acquisition and construction of capital assets in the amount of \$209,250 is reported net of the change in accounts payable and accrued liabilities of \$25,241.

The Oak Beach Water District's capital grant in the amount of \$88,060 is reported net of the change in due from other governments related to this grant of \$4,385.

The Town of Babylon L.D. Corporation II's land acquisition of \$273,700 is reported net of noncash revenues of \$273,000, as the land was transferred to the Town at no cost to the Town.

TOWN OF BABYLON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2018

	<u>Length of Service Award Programs - Pension Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 290,459	\$ 95,803,933
Guaranteed annuity contracts	10,172,819	
Cash value of life insurance contracts	2,478,777	
	<hr/>	<hr/>
Total Assets	12,942,055	\$ 95,803,933
	<hr/>	<hr/>
LIABILITIES		
Due to school districts		\$ 83,252,996
Due to fire districts		8,484,781
Due to other Counties for tuition tax		3,181,874
Agency fund liabilities		884,282
		<hr/>
Total Liabilities	-0-	\$ 95,803,933
		<hr/>
FIDUCIARY NET POSITION		
Net position held in trust for length of service award programs	\$ 12,942,055	
	<hr/>	

TOWN OF BABYLON
STATEMENT OF CHANGES OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2018

	Length of Service Award Programs - Pension Trust Funds
ADDITIONS	
Plan contributions *	\$ 869,250
Investment income:	
Investment earnings	337,046
Net increase in cash surrender value of investments	203,688
Total investment income	540,734
Less investment expenses	-0-
Net investment income	540,734
Total Additions	1,409,984
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	817,742
Total Deductions	817,742
Change in Fiduciary Net Position	592,242
Fiduciary Net Position - Beginning of Year	12,349,813
Fiduciary Net Position - End of Year	<u>\$ 12,942,055</u>

* From the Town of Babylon Special Districts Fund

NOTES TO FINANCIAL STATEMENTS

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The more significant of the Town's accounting policies are described below:

A. REPORTING ENTITY

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

The decision to include a potential component unit in the Town's reporting entity is based on several criteria including legal standing, dependency and financial accountability. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

Discretely Presented Component Unit:

The following entity is a discretely presented component unit of the Town of Babylon:

- a) The Town of Babylon Industrial Development Agency (the "Agency") was created as a New York State public benefit corporation. The Agency was established on April 10, 1973 pursuant to Code Section 907-a of the New York State General Municipal Law. The Agency was created to promote the economic welfare, recreation opportunities and prosperity of the Town of Babylon's residents.

The governing body of the Town of Babylon appoints the Town of Babylon Industrial Development Agency's Board of Directors which results in interdependency with the Town of Babylon. However, the Agency's Board of Directors had complete responsibility for approval and adoption of policies and accountability for fiscal matters. Accordingly, the Agency has been determined to be discretely presented component units of the Town of Babylon.

The Town of Babylon's discretely presented component unit is considered non-major.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Discretely Presented Component Unit (continued):

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

1. The Town of Babylon Industrial Development Agency
47 West Main Street
Babylon, New York 11702

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 following blended component units of the Town are reported within the Special Revenue Funds in the Town's basic financial statements.

- a) The Town of Babylon Youth Development Research Institute, Inc. (the "Institute") is a not-for-profit organization located in North Babylon, New York. The Institute operates various youth programs at the Town's youth centers. The Institute's Board of Directors consists of members of the Town Board. The Town funds certain salary and fringe benefit costs of the Institute as well as acting as a pass-through entity for funding received from state and county contracts. The Town provides operating space and equipment for the Institute. As a result of this fiscal dependency and potential for financial burden, the Town is financially accountable for the Institute. Accordingly, this Institute is included in the Town's reporting entity.
- b) The Town of Babylon Human & Therapeutic Services, Inc. ("Human & Therapeutic Services") is a not-for-profit organization located in North Babylon, New York. The purpose of Human & Therapeutic Services is to operate programs which provide humanitarian services for the benefit of the residents of the Town of Babylon, the County of Suffolk, and the State of New York; drug and alcohol abuse prevention; improvement of the quality of life of persons afflicted with physical or mental handicaps; and assistance to senior citizens of the Town. Human & Therapeutic Services' Board of Directors consists of members of the Town Board. The Town provides funds for certain salary and fringe benefit costs to the Human & Therapeutic Services as well as acts as a pass-through entity for funding received from state and county contracts. The Town provides operating space and equipment for Human & Therapeutic Services. As a result of this fiscal dependency and potential for financial burden, the Town is financially accountable for the Human & Therapeutic Services and accordingly is included in the Town's reporting entity.
- c) The Town of Babylon Senior Citizens Community Services, Inc. ("Senior Citizens Community Services") is a not-for-profit organization located in North Babylon, New York. Senior Citizens Community Services operates various programs benefiting senior citizens of the Town of Babylon. Senior Citizens Community Services' Board of Directors consists of members of the Town Board. The Town acts as a pass-through entity for funding received from federal and county contracts. The Town acquires equipment and provides operating space and real property for Senior Citizens Community Services. As a result of this fiscal dependency and potential for financial burden, the Town is financially accountable for the Senior Citizens Community Services and accordingly is included in the Town's reporting entity. As of December 31, 2018 the Senior Citizens Community Services organization was partially absorbed by the Town and the remaining entity will not be considered a component unit of the Town going forward.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Blended Component Units: (continued)

The following blended component unit is reported as an Enterprise fund in the Town's basic financial statements.

- d) The Town of Babylon L.D. Corporation II (the "Corporation"), was created as a New York State not-for-profit public benefit corporation. The Corporation was established on August 18, 1988 pursuant to Section 1411 of the Not-for-Profit Corporation Law as defined in section 102(a)(5). The Corporation is a government instrumental tax-exempt corporation that was created to promote the economic welfare, recreation opportunities and prosperity of the inhabitants of the Town of Babylon. The Corporation provides companies with federally tax-exempt and taxable revenue bonds as incentives.

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

1. The Town of Babylon Youth Development Research Institute, Inc.
Town Hall Annex
281 Phelps Lane
North Babylon, New York 11703
2. The Town of Babylon Human & Therapeutic Services, Inc.
Town Hall Annex
281 Phelps Lane
North Babylon, New York 11703
3. The Town of Babylon Senior Citizens Community Services, Inc.
Town Hall Annex
281 Phelps Lane
North Babylon, New York 11703
4. The Town of Babylon L.D. Corporation II
816 Deer Park Avenue
North Babylon, NY 11703

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town as a whole with separate columns for the primary governmental activities and business-type activities as well as the non-major discretely presented component units. For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

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 operational 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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

Fund Financial Statements

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

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

The Town reports the following major governmental funds:

General Fund – is the principal operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in other funds.

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

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

The Town reports the following major Special Revenue governmental funds:

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

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

Special Districts Fund – is used to account for operations and maintenance of the Town's fire protection and ambulance districts, including the plan assets and related activity of certain Town sponsored length of service award programs.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

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

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

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

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

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

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

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

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

The Town reports the following major proprietary funds:

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

Oak Beach Water District – is used to account for the new water system at Oak Beach.

Town of Babylon L.D. Corporation II provides companies with federally tax-exempt and taxable revenue bonds as incentives.

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

The Town has presented the following fiduciary funds:

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

Pension Trust Fund – is used to account for the plan assets and related activity of the Town sponsored length of service award programs ("LOSAP") that provide a benefit to volunteer firefighters serving certain independent volunteer fire companies in the Town. The LOSAP plans that are reported in the pension trust fund are treated as trust funds since the plan assets are accumulated and dedicated solely to pay benefits to the members and their beneficiaries, however they are not legally established trusts.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

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 indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days of the end of the current period. However, revenue is recorded when services are performed for the residential and commercial garbage district funds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, amounts due to employees' retirement system, claims and judgments, landfill closure and postclosure care costs, proportionate share of the net pension liability, total other postemployment benefits and length of service award programs are recorded when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt is reported as other financing sources.

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

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

The fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. CASH AND CASH EQUIVALENTS

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

State statutes govern the Town's investment policies, excluding the length of service award program plan investments. The Town has a written investment policy stating that Town money must be deposited in FDIC-insured commercial banks. The Town is authorized to use demand accounts, special time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, and obligations of New York State and its localities and participation in State authorized cooperative investment programs. All demand deposits and time deposit accounts are carried at cost. The Town's investments at December 31, 2018 include the LOSAP plan assets as described in Notes 1.D.6 and 5.

Collateral is required for demand deposits and time deposits accounts at 100% of all deposits not covered by federal deposit insurance, including a deposit placement program. 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 AND INTERFUND TRANSACTIONS

Receivables relating to governmental-type activities primarily include amounts due from federal, state, and other local governments; individuals and entities for services provided by the Town, as well as amounts due related to various grant and franchise agreements.

The receivable balances relating to the business-type activities primarily consists of amounts due from the New York State Environmental Facilities Corporation for a grant and a bond anticipation note, an amount due from a third party for cell tower rental, as well as an amount due from a third party for reimbursement of remediation costs incurred. Collection of the reimbursement of remediation costs is not certain as of December 31, 2018 and therefore the balance is reported net of an allowance of \$342,000.

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

The Long Island Green Homes receivables are loans that have been provided to the Town's residents for specific energy efficiency improvements. These loans bear interest at 3%, are secured by liens on real property and are payable in monthly installments through April of 2029.

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. RECEIVABLES AND INTERFUND TRANSACTIONS (continued)

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

a) Interfund Revenues

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

b) Operating Transfers

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

3. INVENTORY AND PREPAID ITEMS

Inventory in the governmental funds, consisting of salt, expendable supplies and spare parts held for consumption, are valued at cost. These inventories are accounted for using the purchase method and recorded at cost net of any obsolescence.

Prepayments in the special districts fund for the remittances of 2019 real property taxes collected reflect amounts applicable to future accounting periods and therefore are reported as prepaid items in both the government-wide and fund financial statements. In addition, the government-wide financial statements include amounts paid in advance for retirement costs.

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

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets purchased or acquired with an original cost of \$2,500 through December 31, 2010 and \$10,000 subsequent to December 31, 2010 and have a useful life of greater than a year are reported at historical cost or estimated historical cost. Contributed assets are valued at acquisition 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	20-30 years
Machinery and equipment	3-20 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. CAPITAL ASSETS (continued)

In the fund financial statements, capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition.

5. PROPERTY HELD FOR RESALE

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

6. LENGTH OF SERVICE AWARD PROGRAM PLAN ASSETS – INVESTMENTS

The Town's investments include the assets of the LOSAP plans of which the Town is the Plan Sponsor. The investments of the firefighter award programs, considered defined benefit plans, are either held in a grantor/ rabbi trust account in the Town's name under GASB Statement 73 or in a trust meeting the requirements of GASB Statements No. 67 and 68. These plan assets consist of investments in cash deposits, guaranteed annuity contracts and cash value of life insurance contracts. The Town's ambulance award program, a defined contribution plan, has assets which are invested in an external investment pool that is administered through the Office of the New York State Comptroller. The underlying assets of the external investment pool, reported at fair value, include money market funds, corporate and foreign bonds, common equity securities, equity mutual funds, and fixed income mutual funds. The allocation of gains, losses and investment income are accounted for by the Office of the New York State Comptroller and the program administrator, Penflex Inc.

The assets of the length of service award programs that are held in a trust arrangement meeting the requirements of GASB Statements No. 67 and 68 are reported in the Pension Trust Fund and the assets of the service award programs that are held in a grantor/rabbi trust are reported in the Town's special districts fund under GASB Statement No 73.

The length of service award program assets are restricted for the purpose of providing benefits to the participants of the plans.

7. UNEARNED REVENUE/ GRANT ADVANCE

Unearned revenues, reported as liabilities in the fund and government-wide financial statements, are those which asset recognition criteria have been met, but which revenue recognition criteria have not been met for exchange type transactions. Such amounts include collections in advance for leases and fee income relating to 2019.

8. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for the deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources of approximately \$135,000 for a deferred charge on refunding bonds, \$6,925,000 for pension related activities and \$1,825,000 related to the length of service award programs in the government-wide Statement of Net Position. A deferred charge on a refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The components of the pension plan and length of service award programs' deferred outflows of resources are disclosed in Notes 3.F and 3.H, respectively.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES (continued)

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

The Town's governmental funds report the following items as deferred inflows on the Balance Sheet: unearned revenues which relate to 2019 real estate taxes of approximately \$97,100,000 and unavailable revenues of approximately \$6,455,000, which primarily consist of mortgage tax revenue and deferrals related to Long Island Green Home loans and Community Development property held for resale. Unavailable revenues, which arise only under a modified accrual basis of accounting, are only reported in the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The unearned revenues, relating to the collection of real estate taxes for a future period, are accordingly reported as a deferred inflow in the government-wide Statement of Net Position as well as the governmental funds Balance Sheet. On the government-wide financial statements, the governmental activities report deferred inflow of resources of approximately \$4,535,000 related to pension related activities, approximately \$391,000 for the length of service award programs and approximately \$13,281,000 for other postemployment benefits. The components of the pension plan and length of service award programs' deferred inflows of resources are disclosed in Notes 3.F and 3.H, respectively.

The East Farmingdale water district has reported deferred inflows of resources of approximately \$2,388,000 resulting from lease income received in advance in a service concession arrangement which is being amortized and recognized in revenue over the lease term.

9. LONG-TERM OBLIGATIONS

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. NET POSITION AND FUND BALANCE CLASSIFICATION

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

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

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

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Not all of the Town’s funds will necessarily have all of the components of fund balance available to that fund.

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

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. NET POSITION AND FUND BALANCE CLASSIFICATION (continued)

5. Unassigned fund balance reflects the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

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

E. REVENUES AND EXPENDITURES/EXPENSES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

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

The Town of Babylon Receiver of Taxes collects all real property taxes for the Town, Suffolk County, Town Special Districts, and School Districts located within the Town of Babylon. Real property taxes are levied annually no later than December 1st and are due in two installments without penalty, 50% on January 10th and 50% on May 31st. Penalties are imposed thereafter at the rate of 1% per month on delinquent taxes until May 31st, after which taxes are payable to the County Treasurer. The Town retains the total amount of Town, highway, special districts, 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. In addition, the Town offers medical coverage through HIP Health Plan of New York (HIP).

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure when due. 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 total other postemployment benefits liabilities are recorded as long-term debt in both the government-wide and proprietary fund statements. The current year decrease in the liability is based upon the most recent actuarial report.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES/EXPENSES (continued)

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 activities. The current portion of this debt is estimated based on historical trends. Compensated absences liabilities and expenditures 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.

4. EMPLOYEE RETIREMENT PENSION PLAN

The Town, as a participant in the New York State and Local Employees' Retirement System, recognizes the proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources in the government-wide financial statements, using the accrual basis of accounting, regardless of the amount recognized as pension expenditures in the fund financial statements. The amounts recognized have been determined on the same basis as reported by the System, utilizing the year end of March 31st.

5. LENGTH OF SERVICE AWARD PROGRAMS PLAN LIABILITIES

The Town sponsors various LOSAP plans for volunteer firefighters and ambulance squad members. These programs, organized as defined benefit or contribution plans, provide volunteers with a financial benefit based on the number of years that are served. The Town sponsored LOSAP plans fall under two categories: 1) the plan assets are held in a grantor/ rabbi trust account in the Town's name, which do not meet the requirements of GASB Statement No. 73 paragraph 4, and accordingly the total plan assets and the related current year activity are reported in the governmental fund financial statements and the government-wide financial statements and the total plan liabilities are reported in the government-wide financial statements as of the measurement date or 2) the plan assets are administered through a trust meeting the requirements of GASB Statements No. 67 and 68, and the plan assets and the related current year activity are reported in the Town's Pension Trust Fund and the net pension liability is reported in the government-wide financial statements as of the measurement date.

F. ENCUMBRANCES

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

G. USE OF ESTIMATES

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. NEW ACCOUNTING PRINCIPLES

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. For the year ended December 31, 2018 the Town adopted:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of GASB Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended*" and Statement No. 74, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*". The implementation of this Statement resulted in the restatement of net position and changes to footnote disclosure and required supplementary schedules.

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

Statement No. 85, "Omnibus 2017," the objective of which is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement specifically addresses issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB). The implementation of this Statement has no impact on the Town's financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues," the objective of which is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this Statement has no impact on the Town's financial statements.

I. SUBSEQUENT EVENTS

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

- a) The Town Charter establishes the fiscal year as the twelve-month period beginning January 1st.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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

New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the 2% property tax cap for 2018.

B. FUND BALANCE

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

	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Funds	Special District Fund	Other Governmental Funds	Total
Fund Balances:								
Nonspendable:								
Long-term receivables							\$ 57,640	\$ 57,640
Property held of resale	\$ 3,837,750						2,500	3,837,750
Prepaid items						\$ 826,553	67,895	829,053
Inventory	267,318			\$ 390,100				725,313
Total Nonspendable	4,105,068	\$ -0-	\$ -0-	390,100	\$ -0-	826,553	128,035	5,449,756
Restricted for:								
Debt service	1,289,329			65,676				1,355,005
Property held of resale	13,398,779							13,398,779
Capital projects					9,933,024			9,933,024
Purchases on order or contractual obligations					2,718,329			2,718,329
Grantors and donors restrictions							4,360,321	4,360,321
Length of service award program investments to be used for benefits						962,027		962,027
Guaranteed assistance contract							302,122	302,122
Total Restricted	14,688,108	-0-	-0-	65,676	12,651,353	962,027	4,662,443	33,029,607
Assigned to:								
Subsequent year's budget	4,530,979	2,309,520		44,115			510,401	7,395,015
Capital projects					4,157,604			4,157,604
Purchases on order or contractual obligations	44,620	45,520	25,812	2,612	2,875,242		4,482	2,998,288
Special revenue funds		6,563,601	25,186,351	10,457,438		2,051,957	7,376,640	51,635,987
Total Assigned	4,575,599	8,918,641	25,212,163	10,504,165	7,032,846	2,051,957	7,891,523	66,186,894
Unassigned, reported in								
General Fund	30,692,092				(2,664,396)			28,027,696
Total Unassigned	30,692,092	-0-	-0-	-0-	(2,664,396)	-0-	-0-	28,027,696
Total Fund Balances	\$ 54,060,867	\$ 8,918,641	\$ 25,212,163	\$ 10,959,941	\$ 17,019,803	\$ 3,840,537	\$ 12,682,001	\$ 132,693,953

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

C. FUND DEFECIT

The Capital Projects Fund, unassigned fund balance deficit of \$2,664,396 at December 31, 2018 resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated as authorized debt becomes issued.

3. DETAILED NOTES ON ALL FUNDS

A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits/ Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, the Town may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town had no investments as of December 31, 2018.

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

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

At December 31, 2018 the Town's cash book balance was \$285,773,824. This amount is inclusive of Agency fund deposits of \$95,803,933 cash with fiscal agent of \$322,805 and restricted cash of \$155,555 but exclusive of petty cash of \$4,630 and blended component unit cash of \$2,544,814. This also excludes the LOSAP's cash balance. The Town's available bank balance was \$290,640,819 excluding the blended component units. Of the Town's available bank balance, \$2,543,679 was covered by Federal deposit insurance, and \$286,619,075 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name. The remaining balance of \$1,478,065 was under collateralized. The blended component unit's available balance was \$2,544,814, of which \$658,688 was covered by Federal deposit insurance and \$1,808,821 was covered by collateral held by the Town's agent, a third-party financial institution. The remaining balance of \$77,305 was under collateralized.

At December 31, 2018 the Town's discretely presented component units bank balance was \$4,866,552. Of this balance, \$500,000 was covered by Federal deposit insurance and \$4,366,552 was covered by collateral held by the discretely presented component unit's agent, a third-party financial institution, in the Town of Babylon Industrial Development Agency's name.

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

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

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

As of December 31, 2018, the Town of Babylon did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

In the government-wide financial statements any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

At December 31, 2018, individual fund interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. These balances, representing various short-term loans for operating purposes, are stated as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 368,872	
Residential Garbage District Fund		\$ 111,937
Commercial Garbage District Fund		
Highway Fund	306,004	
Capital Projects Fund	4,000	319,253
Non-major Funds	0	182,940
Enterprise Fund:		
Oak Beach Water District		64,746
Total	\$ 678,876	\$ 678,876

The individual fund interfund transfer balances for the primary government generally represent residual equity transfers related to completed and closed capital projects back to the fund servicing the debt and transfers of funds to provide funding for capital projects.

	Transfers out:					
	Major Funds:			Non-major Fund:		
	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Capital Projects Fund	Other Special Revenue Fund	
Transfers in:						
Governmental Funds:						
Major Funds:						
General Fund				\$ 128,425		\$ 128,425
Highway Fund				110,000		110,000
Capital Projects Fund	\$ 3,800,000	\$ 1,103,782	\$ 1,140,740		\$ 20,000	6,064,522
Total	\$ 3,800,000	\$ 1,103,782	\$ 1,140,740	\$ 238,425	\$ 20,000	\$ 6,302,947

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital assets activity for the governmental activities for the year ended December 31, 2018 is as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 32,635,424	\$ 22,962	\$ (6,246,401)	\$ 26,411,985
Construction in progress	25,261,198	13,012,100	(4,513,325)	33,759,973
Total capital assets not being depreciated	<u>57,896,622</u>	<u>13,035,062</u>	<u>(10,759,726)</u>	<u>60,171,958</u>
Depreciable capital assets:				
Building and improvements	133,341,467	4,277,200	(3,485,275)	134,133,392
Machinery and equipment	38,883,154	2,925,112	(1,329,844)	40,478,422
Infrastructure	433,960,855	14,890,268	(589,758)	448,261,365
Total depreciable capital assets	<u>606,185,476</u>	<u>22,092,580</u>	<u>(5,404,877)</u>	<u>622,873,179</u>
Less: accumulated depreciation				
Buildings and improvements	47,616,720	4,508,713	(2,195,978)	49,929,455
Machinery and equipment	26,892,445	2,314,322	(1,253,649)	27,953,118
Infrastructure	330,280,395	9,423,539	(293,112)	339,410,822
Total accumulated depreciation	<u>\$ 404,789,560</u>	<u>\$ 16,246,574</u>	<u>\$ (3,742,739)</u>	<u>417,293,395</u>
Total net depreciable capital assets				<u>205,579,784</u>
Total net capital assets				<u>\$ 265,751,742</u>

Depreciation was charged to functions and programs as follows:

General government support	\$ 446,238
Public safety	72,708
Health	10,082,818
Transportation	4,218,629
Culture and recreation	1,299,378
Home and community services	<u>126,803</u>
Total depreciation expense - governmental activities	<u>\$16,246,574</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Capital assets activity for the business-type activities for the year ended December 31, 2018 is as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 194,964	\$ 273,700		\$ 468,664
Construction in progress	176,972	108,164		285,136
Total capital assets not being depreciated	<u>371,936</u>	<u>381,864</u>	\$ -0-	<u>753,800</u>
Depreciable capital assets:				
Building and improvements	1,306,327			1,306,327
Machinery and equipment	351,670			351,670
Infrastructure	6,859,993			6,859,993
Total depreciable capital assets	<u>8,517,990</u>	<u>-0-</u>	<u>-0-</u>	<u>8,517,990</u>
Less: accumulated depreciation				
Buildings and improvements	892,261	24,190		916,451
Machinery and equipment	349,069	1,851		350,920
Infrastructure	1,541,982	134,378		1,676,360
Total accumulated depreciation	<u>\$ 2,783,312</u>	<u>\$ 160,419</u>	<u>\$ -0-</u>	<u>2,943,731</u>
Total net depreciable capital assets				<u>5,574,259</u>
Total net capital assets				<u>\$ 6,328,059</u>

Depreciation expense in the amount of \$160,419 for the business-type activities was charged to the home and community services function.

Capital assets activity for the discretely presented non-major component unit for the year ended December 31, 2018 is as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<u>Discretely Presented Non-major Component Unit- Babylon IDA:</u>				
Capital assets:				
Leasehold improvements	\$ 50,037	\$ -0-	\$ -0-	50,037
Total capital assets	<u>50,037</u>	<u>-0-</u>	<u>-0-</u>	<u>50,037</u>
Less: accumulated amortization				
Leasehold improvements	1,164	6,982	-0-	8,146
Total accumulated amortization	<u>\$ 1,164</u>	<u>\$ 6,982</u>	<u>\$ -0-</u>	<u>\$ 8,146</u>
Total net capital assets				<u>\$ 41,891</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

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

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. During the year ended December 31, 2018, the Town has not recorded any such impairment loss.

D. PROPERTY HELD FOR RESALE

The Town is currently undergoing a major community revitalization program in the northern central part of the Town. Since 2008, the Town has been purchasing commercial properties with available surplus funds of the general and residential garbage funds, which has since been repaid with the issuance of authorized general obligation bonds. The Town is completing the pre-development work for the first phase ("Phase I") of the project which includes rezoning, securing necessary permits and community approvals, demolishing existing structures, and grading the projects. Phase I of the construction began in 2013 and specifically relates to the construction of new residential, retail, commercial and civic space in downtown Wyandanch. To date, three buildings have been completed of which two (residential unit buildings with ground floor retail space) were transferred to a third party. The third building is a five-story parking garage built by the MTA/LIRR. In connection with the completion of Phase I, which is expected to occur by the end of 2022, the remaining land purchased for the revitalization program will be sold to a private developer.

As of December 31, 2018, the Town issued \$28,722,921 of general obligation bonds for the cost of the revitalization program, which includes the purchase price of the properties held for resale, the cost of the surrounding areas that will be used by the Town for roads and parks, the properties sold to an outside developer, and the costs of maintaining the properties. The Town accounts for this program in the general fund and property held for resale is considered a noncurrent asset in the Statement of Net Position. The general fund's fund balance related to this program is classified as either nonspendable or restricted.

In October 2011, the Town entered into a Master Developer Designation Agreement ("Master Agreement") with the Town of Babylon L.D. Corporation II (the "Corporation"), a blended component unit of the Town, Wyandanch Rising Inc. (the predecessor in interest to the Corporation), and a third party developer. Per the guidelines defined in this Agreement, during 2018 the Town transferred title of two parcels of land classified as property held for resale to the Corporation. The third party developer paid the Town \$273,700 for the two parcels on behalf of the Corporation. At the time of the title transfer of land, the Corporation entered into a Development Lease Agreement ("Lease agreement") with the third party developer in which the third party acting as the lessee, subleased the land to the Babylon IDA, who in turn subleased the property back to the third party developer for a \$1 per annum. The purpose of the lease leaseback transaction is to provide future financial benefits to the third party developer such as certain sales tax and mortgage recording tax exemptions and real estate tax abatements as this community revitalization program progresses. As a result of these transactions, the Town reported a loss on sale of property held for resale in the amount of \$518,907 in the home and community expenditures/expenses in the fund and government-wide financial statements at December 31, 2018. The Corporation reported land in the amount of \$273,700 at December 31, 2018 (see Note 3.C).

As of December 31, 2018, the Town's community development agency fund owned one property purchased with grant proceeds in the amount of \$61,397, for the purpose of resale to individuals in accordance with the Neighborhood Stabilization Program, under the Housing and Economic Recovery Act. The Town expects to sell this property in 2019 and therefore has classified this property held for resale as a current asset in the Statement of Net Position.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS

E. LONG-TERM DEBT

Guaranteed Assistance Contract Loan

The Town's guaranteed assistance contract loan payable at December 31, 2018 consists of a loan due to the U.S. Department of Housing and Urban Development issued under Section 108 of the Housing and Community Development Act of 1974. This loan dated December 2012, stipulates a maximum commitment amount of \$4,100,000 for a specific capital project. As of December 31, 2018, the Town received the full amount of the commitment, plus interest earnings in the aggregate amount of \$4,105,118, and spent \$3,802,996 of the loan proceeds. The remaining amount of \$302,122, inclusive of interest earnings, is reported as restricted fund balance. This loan bears interest at a variable rate, which is adjusted monthly at the London Interbank Offered Rate plus .20% and will mature in August 2032. The variable rate as of December 31, 2018 was 2.94%. Subsequent to year end this was refinanced to a fixed rate loan, at an interest rate ranging from 2.540% to 3.635%, which is the rate used to determine the future interest payments below.

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

Years Ending December 31,	Principal	Interest	Total Principal and Interest
2019	\$ 187,000	\$ 53,809	\$ 240,809
2020	195,000	84,853	279,853
2021	202,000	79,880	281,880
2022	211,000	74,689	285,689
2023	219,000	69,315	288,315
2024-2028	1,189,000	252,837	1,441,837
2029-2032	920,000	75,555	995,555
Total	<u>\$ 3,123,000</u>	<u>\$ 690,938</u>	<u>\$ 3,813,938</u>

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

Bond Anticipation Notes (BANs)

Bond anticipation notes (BANs) are generally used as a temporary means of financing various expenditures in the funds. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. BANs are expected to be paid from the proceeds of future bond issues or renewal of the notes.

In March 2016, the New York State Environmental Facilities Corporation provided available financing in the amount of \$1,200,000 through a bond anticipation note in the Town's name to provide a portion of the funding for the new water system at Oak Beach. The bond anticipation note matures on March 31, 2021 and bears interest ranging from 0% to .58%. As of the date of this report, the Town does not expect to draw down cash from the bond anticipation note until 2020 and accordingly has reported this as a noncurrent amount due from other governments and bond anticipation note payable in the Oak Beach Water District Fund.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM DEBT (continued)

General Obligation Bonds Payable

The Town borrows money in order to acquire land or equipment or construct buildings and improvements. These long-term liabilities are backed by the full faith and credit of the Town, bear interest at rates ranging from .03% to 5.38% and mature at varying dates through May 2043.

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

Years Ending December 31,	Principal	Interest	Total Principal and Interest
2019	\$ 14,783,350	\$ 5,425,864	\$ 20,209,214
2020	14,620,000	4,940,052	19,560,052
2021	14,295,000	4,436,804	18,731,804
2022	10,070,000	3,956,936	14,026,936
2023	10,300,000	3,646,726	13,946,726
2024-2028	53,900,000	12,883,145	66,783,145
2029-2033	30,800,000	5,027,046	35,827,046
2034-2038	11,990,000	1,433,117	13,423,117
2039-2043	3,810,000	243,136	4,053,136
Total	\$ 164,568,350	\$ 41,992,826	\$ 206,561,176

There were no outstanding bonds payable for the business-type activities or the discretely presented non-major component units as of December 31, 2018.

Changes in Long-term Liabilities

Long-term liability activity for the primary government for the year ended December 31, 2018 is as follows:

	Balance, as Restated, 1/1/18	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/18	Liabilities Due Within One Year	Non-Current Liabilities
Governmental activities:							
General obligation bonds	\$ 166,385,000	\$ 14,508,350	\$ 16,325,000		\$ 164,568,350	\$ 14,783,350	\$ 149,785,000
Plus: premiums on issuance	1,785,828	1,508,155	359,764		2,934,219	441,791	2,492,428
General obligation bonds, net	168,170,828	16,016,505	16,684,764		167,502,569	15,225,141	152,277,428
Guaranteed assistance contract loans payable	3,303,000		180,000		3,123,000	187,000	2,936,000
Due to employees' retirement system	1,232,323		247,005		985,318	254,965	730,353
Compensated absences	5,166,034	3,349,443	3,331,800		5,183,677	3,310,000	1,873,677
Claims and judgments payable	7,657,736	433,750	436,543	219,343	7,874,266	410,862	7,463,424
Estimated liability for landfill closure and postclosure care costs	27,098,207		535,800	6,453,231	33,015,638	3,125,628	29,890,010
Net employees' retirement system pension liability - proportionate share	7,494,679	3,666,507	3,792,636	(4,776,253)	2,592,297		2,592,297
Total other postemployment benefits liability *	169,740,201	11,577,067	21,938,114		159,379,154		159,379,154
Net length of service award programs plan liabilities	9,747,732	1,427,903	1,206,296	574,251	10,543,590		10,543,590
Length of service award programs total plan liabilities	1,415,497	190,977	58,877	(111,012)	1,376,585		1,376,585
Total Governmental Activities	401,026,237	36,602,152	48,411,835	2,359,560	391,576,114	22,513,596	369,062,518
Business-type activities:							
Bond anticipation notes payable	1,200,000				1,200,000		1,200,000
Total other postemployment benefits liability *	2,005,498	66,660	265,324		1,806,834		1,806,834
Total Business Type Activities	3,205,498	66,660	265,324	-0-	3,006,834	-0-	3,006,834
Total Primary Government	\$ 404,231,735	\$ 36,668,812	\$ 48,677,159	\$ 2,359,560	\$ 394,582,948	\$ 22,513,596	\$ 372,069,352

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM DEBT (continued)

Changes in Long-term Liabilities (continued)

Long-term liability activity for the discretely presented non-major component unit for the year ended December 31, 2018 is as follows

	Balance, as Restated, 1/1/18	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/18	Liabilities Due Within One Year	Non-Current Liabilities
Discretely presented non-major component unit - Babylon IDA:							
Total other postemployment benefits liability *	\$ 94,963	\$ 48,649	\$ 22,116		\$ 121,496	\$ 49,019	\$ 72,477
Net employees' retirement system pension liability - proportionate share	500,010	81,046	76,888		504,168		504,168
Total Discretely Presented							

*1/1/2018 other postemployment benefits balance was restated for the cumulative effect of implementation of GASB Statement No. 75 as described in Note 6.

A summary of current and long-term debt amounts as of December 31, 2018 is as follows:

	Noncurrent Liabilities due Within One Year	Noncurrent Liabilities	Balance at 12/31/18
Governmental activities:			
General obligation bonds	\$ 14,783,350	\$ 149,785,000	\$ 164,568,350
Plus: premiums on issuance	441,791	2,492,428	2,934,219
General obligation bonds, net	15,225,141	152,277,428	167,502,569
Guaranteed assistance contract loans payable	187,000	2,936,000	3,123,000
Due to employees' retirement system	254,965	730,353	985,318
Compensated absences	3,310,000	1,873,677	5,183,677
Claims and judgments payable	410,862	7,463,424	7,874,286
Estimated liability for landfill closure and postclosure care costs	3,125,628	29,890,010	33,015,638
Net employees' retirement system pension liability - proportionate share		2,592,297	2,592,297
Total other postemployment benefits liability		159,379,154	159,379,154
Net length of service award programs plan liabilities		10,543,590	10,543,590
Length of service award programs total plan liabilities		1,376,585	1,376,585
Total Governmental Activities	22,513,596	369,062,518	391,576,114
Business-type activities:			
Bond anticipation notes payable		1,200,000	1,200,000
Total other postemployment benefits liability		1,806,834	1,806,834
Total Business Type Activities	-	3,006,834	3,006,834
Total Primary Government	\$ 22,513,596	\$ 372,069,352	\$ 394,582,948
Discretely presented non-major component unit - Babylon IDA:			
Compensated absences	\$ 49,019	\$ 72,477	\$ 121,496
Total other postemployment benefits liability		504,168	504,168
Net employees' retirement system pension liability - proportionate share		52,041	52,041
Total Discretely Presented Non-major Component Unit	\$ 49,019	\$ 628,686	\$ 677,705

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM DEBT (continued)

Other Long-Term Debt

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

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, 2018, the outstanding Series 2009 A and B bond balances were \$8,865,000. Additionally, the Town of Babylon IDA issued various other bonds on behalf of outside parties.

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.

F. RETIREMENT SYSTEM

Plan Description

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Benefits Provided

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

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

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

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tier 6

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

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service.

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

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

Ordinary Disability Benefits

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

Disability Retirement Benefits

Disability retirement benefits are available to members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is general three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 10 of the NYSRSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

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

	Annual Required Contribution	Credits & Miscellaneous Adjustments	Amortization Payments	Prepayment Discount	Total Payment
2018	\$ 3,849,890	\$ 16,738	\$ 287,437	\$ (33,700)	\$ 4,120,365
2017	3,825,022	1,197	324,355	(33,583)	4,116,991
2016	3,823,328	122,983	330,398	(34,357)	4,242,352

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

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

For years ending December 31, 2010, 2011 and 2012, the Town elected to defer a portion of its retirement bill under Chapter 57 of the Laws of 2010 of the State of New York, subject to certain stipulations. The amount deferred under Chapter 57 is payable in ten annual installments including a rate of interest ranging from 3.0% to 5.0%, set by the New York State Comptroller annually. At December 31, 2018 the amount due to the System related to this deferral is \$985,318.

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Contributions (continued)

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

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

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2019	\$ 254,965	\$ 31,336	\$ 286,301
2020	263,184	23,116	286,300
2021	271,671	14,629	286,300
2022	195,498	5,865	201,363
	<u>\$ 985,318</u>	<u>\$ 74,946</u>	<u>\$ 1,060,264</u>

Employees' Retirement System Pension Liabilities, Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Employees' Retirement System Pension

At December 31, 2018, the Town and Agency reported a liability of \$2,592,297 and \$52,041, respectively for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. The Town and Agency's proportion of the net pension liability was based on a projected contributions of all participating members, actuarially determined.

Below is the proportionate share of the net pension liability of the System and the related employer allocation percentage as of March 31, 2018:

	Net System Pension Liability	Allocation of the System's Total Net Pension Liability	Change in allocation of the System's Total Net Pension Liability since Prior Measurement Date
Town	\$ 2,592,297	0.0803205%	0.0005578%
Agency	52,041	0.0016125%	0.0002463%

There was no significant change in the Town and Agency's proportion from March 31, 2017 to March 31, 2018.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Employees' Retirement System Pension Liabilities, Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Employees' Retirement System Pension (continued)

For the year ended December 31, 2018, the Town and Agency recognized pension expense of \$4,694,553 and \$72,111, respectively. At December 31, 2018, deferred outflows of resources related to the pension were reported from the following sources:

	Deferred Outflows of Resources	
	Town	Agency
Differences between expected and actual experience	\$ 924,589	\$ 18,561
Changes of assumptions	1,718,911	34,508
Net difference between projected and actual earnings on pension plan investments	-0-	75,586
Changes in proportion and differences between the employer contributions and proportionate share of contributions	1,406,159	15,075
Employer's contribution subsequent to the measurement date	2,875,549	49,739
Total Deferred Outflow - System Pension	\$ 6,925,208	\$ 193,469

At December 31, 2018 deferred inflows of resources related to the pension were reported from the following sources:

	Deferred Inflows of Resources	
	Town	Agency
Differences between expected and actual experience	\$ 764,046	\$ 15,338
Net difference between projected and actual investment earnings on pension plan investment	3,666,839	149,198
Changes in proportion and differences between the employer contributions and proportionate share of contributions	104,043	11,981
Total Deferred Inflow - System Pension	\$ 4,534,928	\$ 176,517

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Town	Agency
Years ending December 31, 2019	\$ 1,086,123	\$ 11,132
2020	831,887	8,295
2021	(1,661,180)	(36,092)
2022	(742,099)	(16,122)
	\$ (485,269)	\$ (32,787)

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Interest rate	7.0%
Salary increases	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience, Scale MP 2014
Inflation rate	2.5%
Cost of living adjustment	1.3%

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Private equity	10.0%	7.75%
Real estate	10.0%	5.80%
Absolute return strategies*	2.0%	4.00%
Opportunistic portfolio	3.0%	5.89%
Real assets	3.0%	5.54%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	100.0%	

The real rate of return is net of the long-term inflation assumption of 2.5%.

*Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's/Agency's proportionate share of the net System pension liability calculated using the discount rate of 7.0%, as well as what the Town's/Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net System pension liability (asset)	\$ 19,614,034	\$ 2,592,297	\$ (11,807,409)
Agency's proportionate share of the net System pension liability (asset)	\$ 393,757	\$ 52,041	\$ (109,738)

Employees' Retirement System Pension Plan Fiduciary Net Position

The components of the current year net employees' retirement system pension liability of the employers as of the respective valuation date of April 1, 2017 were as follows (in thousands):

Valuation date	April 1, 2017
Employers' total pension liability	\$ 183,400,590
Plan Fiduciary Net Position	(180,173,145)
Employers' net pension liability	\$ 3,227,445

Ratio of plan fiduciary net position to the Employers' total pension liability	98.24%
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Detailed information about the System pension plan's fiduciary net position is available in the System's separately issued financial statements.

G. OTHER POSTEMPLOYMENT BENEFITS

In the government wide financial statements, the cost of postemployment benefit healthcare benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of postemployment healthcare in the year when the employee services are received and provides information useful in assessing potential demands on the Town's future cash flows.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description

The Town, as an agent multiple-employer defined benefit OPEB plan, per its contracts with employees, will pay the premium costs for medical insurance coverage (currently provided by through the New York State Empire Plan and HIP) and reimburse the Medicare Part B premiums at retirement for the retiree and covered spouse provided the employee has met certain eligibility requirements. The Agency, a non-major discretely presented component unit, has employees that participate in the OPEB plan. Eligibility and the Town's cost share vary upon employee designation and date of hire as described below. No assets are accumulated in a trust.

For Civil Service Employees Association members, eligibility requirements for coverage upon retirement are: ten 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 administrative personnel.

For members of Local 237, eligibility requirements for coverage upon retirement are: five consecutive years of service with the Town and has attained the age of 55 years for those hired prior to November 14, 2011 and for those hired after November 14, 2011 twenty-five years of service and has attained the age of 55 years. The Town will contribute 100% of the premium for eligible retired Local 237 employees hired prior to November 14, 2011 and 75%-85% of the premium, depending on the retiree's last salary, for those eligible employees hired after November 14, 2011.

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

Employees Covered by Benefit Terms

The number of participants as of July 1, 2017 is as follows:

	<u>Total</u>	<u>Town</u>	<u>Agency</u>
Active employees	348	343	5
Retirees	314	313	1
Surviving spouses *	27	27	0
	<u>689</u>	<u>683</u>	<u>6</u>

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

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

Total OPEB Liability

The Town's total OPEB liability of \$161,690,156, which includes the component unit ("Agency") OPEB liability of \$504,168, was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2017, with updating procedures used to rollforward the OPEB liability to each measurement date.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

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.

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.

The total OPEB liability was calculated using the entry age normal actuarial cost method. The discount rate used in valuing the OPEB liability was 3.44% as of December 31, 2017 and 4.10% as of December 31, 2018, which is based on the Bond Buyer 20-Bond Index.

Mortality rates were based on sex-distinct mortality rates from tables 1 through 4, with a 60% weight to white-collar experiences and 40% to labor experience. Future mortality improvement were projects using the Society of Actuaries Mortality Projection Scale MP-2014. Disability rates were based on Tables 5 and 6 with similar projections of future mortality improvements. The valuation assumes an 8.0% (pre age 65) and 5.0% (post age 65) healthcare cost trend for 2018, which an ultimate medial trend rate of 5% to be reached in 2021 (pre age 65) and 2016 (post age 65).

Changes in the Total OPEB Liability

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

	Total	Town	Agency
Other Postemployment Liability at the Beginning of Year, as reported	\$ 70,423,188	\$ 69,805,189	\$ 617,999
Cumulative Effect of Implementation of GASB #75	<u>101,822,521</u>	<u>101,940,510</u>	<u>(117,989)</u>
Other Postemployment Liability at the Beginning of Year, as restated	<u>172,245,709</u>	<u>171,745,699</u>	<u>500,010</u>
Changes for the Year:			
Service Cost	5,693,554	5,631,629	61,925
Interest	6,031,219	6,012,098	19,121
Changes of Assumptions and Other Inputs	(17,009,492)	(16,944,907)	(64,585)
Benefit Payments	<u>(5,270,834)</u>	<u>(5,258,531)</u>	<u>(12,303)</u>
Net Changes	<u>(10,555,553)</u>	<u>(10,559,711)</u>	<u>4,158</u>
Other Postemployment Liability at the End of Year	<u>\$ 161,690,156</u>	<u>\$ 161,185,988</u>	<u>\$ 504,168</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (3.10%) or 1-percent-point higher (5.10%) than the current discount rate:

	<u>1% Decrease (3.10%)</u>	<u>Current Discount Rate (4.10%)</u>	<u>1% Increase (5.10%)</u>
Town \$	187,975,726	\$ 161,185,988	\$ 139,892,182
Agency \$	606,691	\$ 504,168	\$ 424,636

Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

Healthcare costs can be subject to considerable volatility over time. The following presents the effect on the total OPEB liability at December 31, 2018 of a 1% change in the initial (8.00%) and ultimate (5.00%) healthcare cost trend rates:

	<u>1% Decrease (7.00% to 4.00%)</u>	<u>Health Care Trend Rates (8.00% to 5.00%)</u>	<u>1% Increase (9.00% to 6.00%)</u>
Town \$	136,419,926	\$ 161,185,988	\$ 193,000,028
Agency \$	403,362	\$ 504,168	\$ 643,176

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2018, the Town recognized an OPEB expense of \$8,183,727, which includes the component unit OPEB expense of \$62,971. At December 31, 2018, as required with the implementation of GASB Statement No. 75, the Town and Agency reported deferred inflows of resources related to OPEB as shown below:

	<u>Deferred Inflows of Resources</u>	
	<u>Town</u>	<u>Agency</u>
Changes of assumptions or other inputs	\$ 13,280,845	\$ 58,813
Total Deferred Inflows - OPEB	<u>\$ 13,280,845</u>	<u>\$ 58,813</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Town</u>	<u>Agency</u>
For years ending December 31, 2019	\$ (3,535,274)	\$ (5,772)
2020	(3,535,274)	(5,772)
2021	(3,535,274)	(5,772)
2022	(2,675,023)	(5,772)
2023	-0-	(5,772)
Thereafter	-0-	(29,953)
	<u>\$ (13,280,845)</u>	<u>\$ (58,813)</u>

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAMS

Plan Descriptions

Firefighter Plans:

The Town sponsors five Volunteer Firefighters Workers Length of Service Award Programs (the "Firefighter Plans"): North Amityville, East Farmingdale, Wyandanch, North Babylon, and North Lindenhurst. All plans are single-employer defined benefit pension plans covering the Town's volunteer firefighters. The Firefighter Plans were established pursuant to Article 11-A of General Municipal Law. All Firefighter Plans, except for Wyandanch, are effective January 1, 1990 and are administered through a trust equivalent arrangement in which contributions from the Town and earnings on the contributions are irrevocable, plan assets are dedicated to providing pension benefits to plan members and the plan assets are legally protected from the creditors of the employer, nonemployer contributing entity, the plan administrator and the creditors of the plan members. These Firefighter Plans are reported in accordance with the requirements of GASB Statements No. 67, 68, and 73, as applicable.

The Wyandanch Firefighter Plan is effective February 1, 2005 and is administered through a grantor/rabbi trust, which is similar to the trust equivalent arrangement described above, however these plan assets are not legally protected from the creditors of the Town. Accordingly, this plan is reported in accordance with the requirements of GASB Statement No. 73, however this plan's assets are not accumulated in a trust that meets the criteria of GASB Statement No. 73 paragraph 4.

Ambulance Plan:

The Town also sponsors the Wyandanch Wheatley Heights Ambulance District Volunteer Ambulance Worker Service Award Program (the "Ambulance Plan"), a defined contribution plan covering the ambulance squad. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. The Ambulance Plan, effective January 1, 1994 was established pursuant to Article 11-AA of General Municipal Law under a contract with the New York State Comptroller. This Plan is administered through a grantor/rabbi trust account in which the plan assets are not legally protected from the Town's creditors. Therefore, this plan is reported in accordance with the requirements on GASB Statement No. 73, however this plan's assets are not accumulated in a trust that meets the criteria of GASB Statement No. 73 paragraph 4.

The Firefighter and Ambulance Plans provide municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters and ambulance squad members.

Participation, Vesting, Forfeitures, and Service Credit

Firefighter Plans:

Active volunteer firefighters who have reached the age of 18 on the last day of the year and who have completed one year of service are eligible to participate in the Firefighter Plans. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the Firefighter Plan's entitlement age while active or becoming totally and permanently disabled or upon death while an active member. The Firefighter Plan's entitlement age is the later of age 62 (or age 65 for members that terminated prior to 2015) or the age after the first year of service credit.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAMS (continued)

Participation, Vesting, Forfeitures, and Service Credit (continued)

Firefighter Plans: (continued)

In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Firefighter Plans 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 Firefighter Plans.

Ambulance Plan:

Active volunteer ambulance members who have reached the age of 18 on the last day of the year and who have completed one year of service are eligible to participate in the Ambulance Plan. Participants acquire a nonforfeitable right to a service award (100% vested) after being credited with five years of ambulance service or upon becoming totally and permanently disabled while an active member. The Ambulance Plan's entitlement age is 65. In general, an active volunteer ambulance member is credited with a year of service for each calendar year after the establishment of the Ambulance Plan in which he or she becomes eligible to participate. A Participant may also receive credit for five years of prior service rendered prior to the establishment of the Plan.

A participant who has not acquired a nonforfeitable right shall forfeit their service award upon ceasing to be a volunteer ambulance member or upon not having qualified for a year of service credit for five consecutive calendar years. Any forfeited participant balances are used to reduce the contribution amount to be paid by the Town.

Benefits

Firefighter Plans:

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 and the individual Firefighter Companies on the basis of a statutory list of activities and point values.

Ambulance Plan:

A participant's benefit under the Ambulance Plan is the amount resulting from the contributions made by the Town on behalf of the participant, plus interest and/or other earnings resulting from the investment of the contributions, less necessary administrative costs, forfeitures and losses resulting from the investment of contributions. Contributions in the amount of \$480 are made on behalf of each participant who is credited with a year of firefighting service. The maximum number of years of ambulance service for which a participant may receive a contribution is forty years. Except in the case of disability or death, benefits are payable when a participant has acquired a nonforfeitable right to the service award and reaches entitlement age. The program provides statutorily mandatory disability and death benefits. As defined by the Ambulance Plan, an active ambulance member 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAMS (continued)

Fiduciary Investment Control

Firefighter Plans:

Service credit is determined based on information certified by each Fire Company. Each Fire Company must maintain all required records related to the participants as required by the service award agreement entered into by the Town and the individual Firefighter Companies.

The Town Board has retained and designated Hometown Insurance to assist in the administration of the Firefighter Plans, except for Wyandanch for which the Town retained Glatfelter Specialty Benefits, Volunteer Fireman's Insurance Services. Effective January 1, 2019, all fire LOSAP plans will be administered by Penflex, Inc. The designated Firefighter Plans administrators' functions include determination of the eligibility of each participant based on the records maintained by the individual Firefighter Companies, calculating the amount to be contributed at the end of each year based upon the criteria set forth in the Firefighter Plan documents, and calculation of participant benefits annually and at entitlement. Disbursements of Firefighter Plan assets for the payment of benefits or administrative expenses must be approved by the Trustees of the individual Firefighter Plans.

Firefighter 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.

Each Firefighter Plan has designated Trustees from the individual Fire Companies. Authority to invest Plan assets is vested in the Town Board, who designated the authority to Hometown Insurance Agency. Effective January 1, 2019, the Town designated the authority to invest Plan assets to RBC Wealth Management. Subject to restrictions in the Firefighter 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 related pension liabilities, and deferred inflows/outflows of resources. The actuary retained by the Town for this purpose is Penflex, Inc.

The Town has the right to amend the LOSAP plans subject to certain limitations and General Municipal Law.

Ambulance Plan:

Service credit is determined by the governing Board of the Town, based on information certified to the Town Board by the Ambulance Company. Each Ambulance Company must maintain all required records on forms prescribed by the Town Board.

The New York State Comptroller has retained and designated Penflex, Inc. to assist in the administration of the Ambulance Plan.

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 Trustee of the Ambulance Plan, as designated by the New York State Comptroller, is Glen Falls National Bank and Trust Company. Authority to invest Ambulance Plan assets is vested in the Trustee. Subject to restrictions in the Ambulance Plan document and Article 11-AA of General Municipal Law, Ambulance Plan assets are invested in accordance with a statutory "prudent person" rule. As of the valuation date of December 31st, the Trustee must determine the fair market value of the Trust and allocate the net earnings or losses of the Trust for the year ended to the Town, based on account balances adjusted for all payments and distributions that occurred during the period.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAMS (continued)

Fiduciary Investment Control (continued)

Ambulance Plan: (continued)

The Town may amend the provisions of the adoption agreement, to be effective the following year, or terminate the participation in the program, provided the amendment and termination are in accordance with Article 11-AA of General Municipal Law. The administrator may amend the program agreement with the approval of the New York State Comptroller.

Contributions and Administration Fees

Firefighter Plans:

The Town must provide an annual contribution to fund the Firefighter Plans, which is based on an actuarial valuation as of the beginning of the Firefighter Plan year, that satisfies the funding policy and method of the plan. The volunteers of Firefighter Plans do not contribute to the plans.

For year ended December 31, 2018, the Town contributed the following amounts to the individual Firefighter Plans:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Plan year ending	12/31/2018	12/31/2018	12/31/2018	12/31/2018	12/31/2018
Amount of contribution recommended by actuary*:					
Minimum	\$ 292,721	\$ 53,548	\$ 382,253	\$ 240,706	\$ 135,344
Maximum	\$ 388,037	\$ 65,441	\$ 540,862	\$ 327,395	\$ 135,344
Actual contribution	\$ 253,750	\$ 59,200	\$ 363,700	\$ 192,600	\$ 134,997

*Recommended contribution includes the normal costs and amortization of unfunded liability for prior services.

Prior service costs for the Firefighter Plans are being amortized over 20 years at a discount rate of 5.25%.

The Town paid the following administration fees during the year ended December 31, 2018:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Administration Fees:					
Paid to Plan Administrator by:					
Sponsor	\$ 5,109	\$ 1,331	\$ 7,185	\$ 4,075	\$ -0-
Plan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,436
Paid to Trustee	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Ambulance Plan:

The Town contributes an annual amount of \$480 on behalf of each participant who is credited with a year of service and an additional \$480 for those eligible for a prior service contribution. The Town has elected to pay prior service contributions in five annual installments, beginning in the year the participant is determined to be eligible. For the plan year ended December 31, 2018, the Town contributed \$10,080, of which \$3,944 was participant account forfeitures into the Ambulance Plan.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM (continued)

Participants

As of the measurement date, the following participants were covered by the benefit terms for the Firefighter Plans:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Measurement date	12/31/2018	12/31/2018	12/31/2018	12/31/2018	12/31/2018
Inactive participants (or beneficiaries) currently receiving benefit payments	48	23	61	48	12
Inactive participants entitled to but not yet receiving benefits	66	34	121	65	13
Active participants	113	26	130	85	50
Total	227	83	312	198	75

Actuarial Assumptions

Firefighter Plans:

The total pension liability was based on an actuarial valuation using the following assumptions:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Measurement date	12/31/2018	12/31/2018	12/31/2018	12/31/2018	12/31/2018
Actuarial valuation date	1/1/2019	1/1/2019	1/1/2019	1/1/2019	1/1/2019
Actuarial cost method	Entry Age Normal				
Inflation rate	2.25%	2.25%	2.25%	2.25%	2.25%
Mortality tables	RP-2014 Male, no projection				
Salary increase	N/A	N/A	N/A	N/A	N/A
Discount rate	4.27%	5.25%	4.61%	4.83%	3.64%
Long-term expected return on investments	5.25%	5.25%	5.25%	5.25%	5.25%

Ambulance Plan:

There are no actuarial assumptions for the Ambulance Plan as this is a defined contribution plan.

Discount Rate

Firefighter Plans:

In accordance with GASB Statement No. 68, the Town used a discount rate of ranging from 4.27% to 5.25% for the East Farmingdale, North Amityville, North Babylon and North Lindenhurst Firefighter Plans based on the following methodologies:

North Amityville Firefighter Plans: The projection of cash flows used to determine the discount rate assumes that contributions from the Town will be made based on the recommended contribution amounts determined by the actuarial valuation for funding purposes. Based on that assumption, the plan assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM (continued)

Discount Rate (continued)

East Farmingdale, North Babylon and North Lindenhurst Firefighter Plans: The projection of cash flows used to determine the discount rate assumes that contributions from the Town will be made based on the recommended contribution amounts determined by the actuarial valuation for funding purposes. The most recent five-year history of actual contributions made by the Town in relation to the recommended contribution amounts was used as an indicator of future contribution amounts. Based on these assumptions, the plan assets were not projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate was based on a blend of the long-term expected rate of return on plan investments and the index rate for 20-year, tax exempt general obligation municipal bonds. The S&P Municipal Bond 20 Year High Grade Rate Index of 3.64% as of December 31, 2018 was used.

The annual money-weighted rate of return on the LOSAP investments, net of pension plan investment expense ranged from 2.29% - 3.87%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability for the Wyandanch Firefighter Plan was 3.64%. In accordance with GASB 73 this was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Ambulance Plan:

There is no discount rate required for the Ambulance Plan as this is a defined contribution plan.

Sensitivity of the Total / Net LOSAP Plan Liability to the Discount Rate Assumption

The following presents the Town's total / net pension LOSAP plan liability calculated using the discount rate as of the measurement date, as well as what the Town's proportionate share of the total/ net pension LOSAP plan liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
Firefighter Plans:			
East Farmingdale			
Discount Rate	3.27%	4.27%	5.27%
Net Pension Liability	\$ 4,608,181	\$ 3,383,966	\$ 2,384,545
North Amityville			
Discount Rate	4.25%	5.25%	6.25%
Net Pension Liability	\$ 785,731	\$ 456,936	\$ 188,842
North Babylon			
Discount Rate	3.61%	4.61%	5.61%
Net Pension Liability	\$ 5,821,568	\$ 4,391,885	\$ 3,243,106
North Lindenhurst			
Discount Rate	3.83%	4.83%	5.83%
Net Pension Liability	\$ 3,094,157	\$ 2,310,803	\$ 1,673,345
Wyandanch			
Discount Rate	2.64%	3.64%	4.64%
Total Pension Liability	\$ 1,335,125	\$ 1,110,674	\$ 931,956

The ambulance plan is not included in the above as the plan liability equals the plan assets.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM (continued)

Investments - Plan Assets

Firefighter Plans:

The Firefighter Plan assets at December 31, 2018 were as follows:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Cash and cash equivalents	\$ 55,927	\$ 30,391	\$ 130,250	\$ 73,891	
Guaranteed annuity contracts	3,449,125	1,476,915	3,244,912	2,001,867	\$ 696,117
Cash value of life insurance contracts	750,276	308,783	725,882	693,836	
Total Firefighter Plan assets	<u>\$ 4,255,328</u>	<u>\$ 1,816,089</u>	<u>\$ 4,101,044</u>	<u>\$ 2,769,594</u>	<u>\$ 696,117</u>

East Farmingdale, North Amityville, North Babylon and North Lindenhurst LOSAP plan assets are reported in the Fiduciary Funds Statement of Fiduciary Net Position. The Wyandanch LOSAP plan assets are reported in the special districts fund's Balance Sheet and the governmental activities in the Statement of Net Position. The cash and cash equivalents balances are covered by depository insurance; however, the guaranteed annuity and cash value of life insurance contracts are not, therefore subject to custodial risk in the event of the failure of the custodian holding the investments.

The Town's investments in certain annuities and life insurance contracts exceeds 5% of the LOSAP Plan's fiduciary net position..

Ambulance Plan:

The Ambulance Plan is part of an external investment pool, of which the Town's portion of the investments at December 31, 2018 is \$265,911. The pool is not registered with the SEC or rated, and is overseen by the New York State Comptroller. The external investment pool consists of money market funds, corporate and foreign bonds, common equity securities, equity mutual funds and fixed income mutual funds, which are reported at fair value. The fair value of the position in the pool is the same value as the value of pool shares. The assets are the subject to custodial risk in the event of the failure of the custodian holding the investments.

Custodial Credit Risk – LOSAP Investments

Credit Risk – State law and Town law limit investments to those authorized by State statues. The Town currently does not have a written investment policy for the LOSAP Firefighter and Ambulance Plan Assets.

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

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM (continued)

Changes in Total / Net LOSAP Plan Liability

The change in the Firefighter Plan assets, the total LOSAP plan liability and the net LOSAP plan liability for the year ended December 31, 2018 is as follows:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch*
Total LOSAP Plan Liabilities					
Service cost	\$ 155,475	\$ 25,921	\$ 145,303	\$ 89,135	\$ 78,513
Interest	282,336	120,276	379,907	229,550	37,737
Change in benefit terms					
Differences between expected and actual experience	115,449	23,220	19,824	148,896	8,591
Benefit payments, including refunds of member contributions	(168,212)	(130,487)	(318,481)	(200,562)	(37,688)
Changes of assumptions or other inputs	635,792	(109,161)	(61,148)	5,067	(111,012)
Net change in total LOSAP plan liability	1,020,840	(70,231)	165,405	272,086	(23,859)
Total LOSAP plan liability - beginning of year (a)	6,618,454	2,343,256	8,327,524	4,808,311	1,134,533
Total LOSAP plan liability - end of year (c)	7,639,294	2,273,025	8,492,929	5,080,397	1,110,674
LOSAP - Pension Trust Fund Net Position / Plan Assets					
Contributions - employer	253,750	59,200	363,700	192,600	134,997
Investment income	106,632	57,075	101,949	71,390	21,445
Change in insurance contracts value	42,930	27,367	81,848	51,543	9,012
Benefit payments, including refunds of member contributions	(168,212)	(130,487)	(318,481)	(200,562)	(32,148)
Administrative fees and other charges					(5,540)
Net change in LOSAP fiduciary net position / plan assets	235,100	13,155	229,016	114,971	127,766
Plan fiduciary net position - beginning of year (b)	4,020,228	1,802,934	3,872,028	2,654,623	N/A
Plan fiduciary net position - end of year (d)	4,255,328	1,816,089	4,101,044	2,769,594	N/A
LOSAP plan assets - beginning of year	N/A	N/A	N/A	N/A	568,350
LOSAP plan assets - end of year	N/A	N/A	N/A	N/A	\$ 696,116
Net LOSAP plan liability - beginning of year (a) - (b)	2,598,226	540,322	4,455,496	2,153,688	N/A
Net LOSAP plan liability - end of year (c) - (d)	\$ 3,383,966	\$ 456,936	\$ 4,391,885	\$ 2,310,803	N/A

* For Wyandanch, the beginning Total LOSAP plan liability is measured as of 1/31/17, as opposed to 12/31/17.

LOSAP Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to LOSAP Plans

For the year ended December 31, 2018, the Town recognized LOSAP pension expense of \$1,104,712, related to Town sponsored Firefighter Plans and \$11,321 related to the Ambulance Plan. At December 31, 2018, deferred outflows of resources related to LOSAP Firefighter Plans were reported from the following sources:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 150,998	\$ 47,961	\$ 92,492	\$ 131,582	\$ 8,018
Differences due to return on assets	109,220	28,424	59,780	55,669	
Changes of assumptions or other inputs	703,399	51,595	251,686	120,416	13,778
Total Deferred Outflows of Resources - LOSAP	\$ 963,617	\$ 127,980	\$ 403,958	\$ 307,667	\$ 21,796

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

H. LENGTH OF SERVICE AWARD PROGRAM (continued)

LOSAP Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to LOSAP Plans (continued)

At December 31, 2018, deferred inflows of resources related to LOSAP Firefighter Plans were reported from the following sources:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Deferred Inflows of Resources:					
Differences between expected and actual experience				\$ 137,606	
Differences due to return on assets		\$ 5,436			
Changes of assumptions or other inputs		90,659	\$ 53,408		\$ 103,611
Total Deferred Inflows of Resources - LOSAP	\$ -0-	\$ 96,095	\$ 53,408	\$ 137,606	\$ 103,611

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LOSAP Plans will be recognized as follows:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Plan Years Ending:	December 31	December 31	December 31	December 31	December 31
2019	\$ 138,394	\$ 6,412	\$ 55,005	\$ 29,504	\$ (4,860)
2020	138,394	6,412	55,005	29,504	(4,860)
2021	138,394	6,412	55,005	29,504	(4,860)
2022	130,363	8,224	43,112	28,955	(4,860)
2023	109,081	2,575	37,087	15,449	(4,860)
Thereafter	308,991	1,850	105,336	37,145	(57,515)
	\$ 963,617	\$ 31,885	\$ 350,550	\$ 170,061	\$ (81,815)

The Ambulance Plan does not report any deferred outflows of resources or deferred inflows of resources since it is a defined contribution plan.

The Town, as Plan Sponsor of Firefighter and Ambulance Plans, does not issue separate financial statements.

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 Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2018, the value of the accumulated vacation time and sick leave of the primary government was \$5,183,677.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

J. COPIAGE FAÇADE RENOVATION GRANT PROGRAM

The Town of Babylon established the downtown Copiague facade renovation grant program to revitalize the downtown area of Copiague, New York. During the year ended December 31, 2018, the Town board appointed and authorized the Corporation to administer the downtown Copiague program for which the purpose is to improve downtown structures in need of facade and/or sign renovations. In 2018, the Town transferred \$209,250 of the funds associated with the downtown Copiague facade improvement program to the Corporation. Funds are to be distributed to various companies that have applied and been awarded grant assistance in the renovation of their building's facade. As of December 31, 2018, the Corporation disbursed \$75,000 of the funding including related fees of \$10,260 and the remaining funds will be disbursed in 2019. The revenues and expenses related to the Copiague Facade Downtown grant program are reported as non-operating revenues and expenses.

K. COMMUNITY BENEFIT AGREEMENT

The Corporation entered into a Community Benefit Agreement (the "Agreement") with a third-party, who is working on a development project involving the acquisition and construction of a multi-phased, multi-family, residential units located in Amityville, New York. As a condition of receiving financial assistance for the project through the Town of Babylon Industrial Development Agency, the third party, will deposit certain funds based on the completion the phases of the project, as defined in the Agreement. These funds are designated to be used for an Economic Development fund and an Affordable Housing Fund, of which the specific activities as defined in the Agreement. The Corporation will administer the funds as prescribed in the Agreement. During the year ended December 31, 2018, the Corporation received affordable housing funds of \$962,500 and economic development funds of \$962,500. There were no disbursements related to these funds as of December 31, 2018 and accordingly, these funds plus interest earned less any related costs, have been reported as restricted in the Statement of Net Position. The amounts received related to the Agreement are reported as non-operating revenue.

L. TAX ABATEMENT PROGRAMS

The Town is subject to real estate tax abatements granted by the Suffolk County Industrial Development Agency and the Town of Babylon Industrial Development Agency, a discretely presented component unit of the Town. The purpose of the real estate tax abatements is to offer tax saving incentives to stimulate economic development and revitalization within the Town. This growth promotes job creation, additional economic activity for local businesses, Town beautification, rising property values, and a higher quality of life for all residents and businesses in the Town.

Town of Babylon Industrial Development Agency Tax Abatement Programs

Local businesses apply to the Town of Babylon Industrial Development Agency for financial assistance. The assistance generally includes exemptions from real property tax, mortgage recording tax, and sales and use tax and issuance of low interest revenue bonds (not an obligation of the Town of Babylon Industrial Development Agency or the Town). As part of the transaction, the Town of Babylon Industrial Development Agency takes title to the project's real property. In doing so, under the provisions of Article 18-A of General Municipal Law ("GML"), the Town of Babylon Industrial Development Agency is not required to pay real estate taxes or assessments on any of the property acquired by or under the jurisdiction, control or supervision of the Town of Babylon Industrial Development Agency's activities. A portion of the real estate tax exemption is usually recaptured in the form of payments in lieu of taxes, which are less significant than the real property taxes that are abated.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

L. TAX ABATEMENT PROGRAMS (continued)

Town of Babylon Industrial Development Agency Tax Abatement Programs (continued)

The Town of Babylon Industrial Development Agency has a Board adopted Uniform Tax Exemption Policy, which outlines how the local businesses' real estate taxes are reduced and how the amount of the real estate abatement is determined. During the term of the agreements, the local business must operate and maintain the property consistent with the terms of the agreement. If the local business does not comply, financial penalties may be imposed, such as the recapture of the benefits received, depending upon the severity of the noncompliance.

For the year ended December 31, 2018, the Town's property tax revenues were reduced by \$4,169,122 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$2,394,269 under the agreements entered into by the Town of Babylon Industrial Development Agency. The amount of the abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2017, the tax lien date.

Suffolk County Industrial Development Agency Tax Abatement Programs

Similar to the Town of Babylon Industrial Development Agency, the Suffolk County Industrial Development Agency offers several abatement programs on certain qualified projects to promote, encourage, attract and develop job and recreational opportunities and economically-sound commerce and industry in Suffolk County. The Suffolk County Industrial Development Agency operates under the same provisions of GML and has adopted its own Uniform Tax Exempt Policy.

For the year ended December 31, 2018, the Town's property tax revenues were reduced by \$162,705 and payments in lieu of taxes were billed in the amount of \$107,449 under the agreements entered into by the Suffolk County Industrial Development Agency. The amount of the abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2017, the tax lien date.

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 \$6,439,306. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town procures "All Risk" property protection, subject to a deductible of \$50,000 per loss. The perils of earthquake and flood are limited at \$1,000,000.

The Town ceased being self-insured for workers' compensation in June of 1999, and purchased an insurance policy for the workers' compensation coverage in order to minimize the costs. Any open claims prior to June 1999 have been reserved for as reported below.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

A. RISK MANAGEMENT (continued)

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:

	General & Auto Liability Coverage		Workers' Compensation	
	2018	2017	2018	2017
Beginning balances of claims liabilities at January 1	\$ 6,633,672	\$ 6,181,300	\$ 1,024,064	\$ 856,659
Claims incurred	433,750	344,250	-0-	-0-
Claims payments	(174,978)	(648,855)	(261,564)	(285,624)
Change to prior year estimates	(453,138)	756,977	672,480	453,029
Ending balance of claims liabilities at December 31	<u>\$ 6,439,306</u>	<u>\$ 6,633,672</u>	<u>\$ 1,434,980</u>	<u>\$ 1,024,064</u>

B. GENERAL LITIGATION

Consistent with other municipalities, the Town has been named a defendant in various legal actions in the course of ordinary operations. The Town has accrued for all estimated and probable contingent losses. The Town primarily funds settlements of legal actions through current operating funds; however, the Town has the ability to fund settlements through bonding if deemed necessary. An estimate cannot be made on certain legal actions that have possible unfavorable outcome against the Town. In the opinion of the Town Attorney, the potential loss on all claims is not expected to materially affect the Town's financial position.

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid near or after the date that each landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a program expense based on the landfill capacity used as of year end. The Town has accrued \$33,015,638 at December 31, 2018, which represents the cumulative amount based on the use of 100% of the solid waste landfill, 100% of the estimated capacity of the northern ash landfill and 65.77% of the estimated capacity of the southern ash landfill. The Town will recognize the remaining estimated cost of closure and postclosure care of \$7,720,533 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care costs in 2018 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 2019 and 2033, respectively.

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

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

D. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS INCLUDING ENCUMBRANCES

The Town is committed to capital improvements to its various facilities and infrastructure. At December 31, 2018, these commitments, reported in the capital projects fund amounted to \$5,593,571.

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:

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

The Town has purchased properties throughout the Town with the intent to redevelop and sell to eligible buyers (see Note 3.D). Upon entering into a contract to purchase these properties, an engineer hired by the Town performs a Phase 1 environmental site assessment of the property. If this site assessment reveals anything of concern, the engineer will then conduct a Phase II site assessment where samples are taken from the property and analyzed. In the event the Phase II reveals contamination at the property, the Town attempts to negotiate remediation costs with the seller. Prior to January 1, 2017, if a potential liability exists, the seller of the property placed the estimated costs for the cleanup in a third-party escrow account to fund these future costs. There were no additional properties purchased after that date. Therefore, while certain Town owned properties have been identified as having contaminated land as of December 31, 2018, the Town does not have any liability related to these future costs and has not reported a liability on the government-wide statements.

F. RESOURCE RECOVERY FACILITY

The Town has entered into an agreement, expiring in 2019, with Covanta Babylon, Inc. ("Covanta") which operates a resource recovery facility (the "Facility") in the Town. Under this service agreement, the Town has committed to deliver certain tonnages of municipal solid waste ("MSW") to Covanta. The MSW is used to generate electricity at the Facility which is sold to the Public Service Enterprise Group (formerly the Long Island Power Authority) pursuant to an Electricity Agreement. Additionally, Covanta reclaims and sells recoverable materials from the Facility's Ash residue. Subsequent to year end, this agreement was amended and restated effective January 1, 2019 expiring 2035.

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

Subsequent to year end, an amendment to this agreement was signed effective January 1, 2019. This amendment no longer includes the Conduit Debt Obligations noted above. Additionally, the credits to be applied against the service fee were reduced to 31% and the Town will no longer receive 50% of the revenue Covanta receives from the sale of recoverable materials.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

G. FUTURE MINIMUM OPERATING LEASES

The Town leases various buildings and land to various parties under operating lease agreements with remaining terms ranging from one year to forty-seven years. The leases generally require the lessees to pay repairs and maintenance and utilities. Future minimum rentals under existing operating leases at December 31, 2018 are as follows:

Years Ending December 31, 2019	\$ 1,024,001
2020	955,886
2021	896,795
2022	881,819
2023	505,484
Thereafter	4,361,300
	<u>\$ 8,625,285</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, 2018 approximated \$292,000. The maximum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2019	\$ 247,997
2020	204,493
2021	125,669
2022	37,084
2023	3,945
	<u>\$ 619,188</u>

H. SERVICE CONCESSION ARRANGEMENT

Pursuant to an agreement dated October 2010, the Town is leasing the East Farmingdale Water Plant to the Suffolk County Water Authority ("SCWA"). Under the terms of the agreement, SCWA will operate and maintain the water plant as well as provide retail sales of water to the East Farmingdale Water District's residents using rates established by the Town Board. The cost and net book value of the leased water plant is \$8,517,990 and \$5,574,259, respectively. In consideration, SCWA paid the East Farmingdale Water District an upfront payment of \$3 million which is being amortized over the forty year term of the agreement. As of December 31, 2018, the Town reported a deferred inflow of resources in the amount of \$2,387,500 in the enterprise fund and government-wide financial statements. As mentioned previously, the authority to set the water billing rates resides with the Town Board. 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 East Farmingdale Water District's set rates) and the management fee (calculated using SCWA rates) is billed quarterly. The East Farmingdale Water District paid \$208,248 of management fees to SCWA during the year ended December 31, 2018. Any billings in excess of the SCWA management fee will be remitted back to the East Farmingdale Water District.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

4. COMMITMENTS AND CONTINGENCIES (continued)

I. OTHER COMMITMENTS

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

5. FAIR VALUE MEASUREMENTS – LOSAP INVESTMENTS

The Town categorizes the fair value measurements into the fair value hierarchy established by GASB Statement No. 72. The three levels of inputs used to measure fair value are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Town has the ability to access.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Town's own assumptions about the assumptions that market participants would use in pricing an asset.

The fair value measurement level within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following methods and assumptions were used in estimating the fair value assets for the LOSAP plan assets:

Cash and Cash Equivalents, Held for Investment

The carrying amount of cash and cash equivalents approximate their fair values based on the short-term nature of the assets.

Guaranteed Annuity Contracts

The carrying amounts of guaranteed annuity contracts are reported as amortized cost which approximates fair value. These are considered unallocated insurance contracts.

Cash Value of Life Insurance Contracts

The carrying amount represents the cash surrender value of each individual life insurance policy in the group.

External Investment Pool

The carrying amount of the external investment pools, consisting primarily of equity securities and corporate debt securities are based on quoted market prices.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS – LOSAP INVESTMENTS (continued)

The following summarizes the Town's LOSAP investments and categorization as of December 31, 2018:

	December 31, 2018	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
Cash and cash equivalents	\$ 290,459	\$ 290,459	\$ -0-	\$ -0-
External investment pool	265,911	265,911	-0-	-0-
Total investments by fair value	\$ 556,370	\$ 556,370	\$ -0-	\$ -0-
<i>Investments measured at amortized cost / cash surrender value</i>				
Guaranteed annuity contracts	\$ 10,868,936			
Cash value of life insurance	2,478,776			
Total investments by amortized cost/ cash surrender value	\$ 13,347,712			
Total LOSAP investments	\$ 13,904,082			

6. RESTATEMENT OF NET POSITION

For year ended December 31, 2018, the Town implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". The implementation of the Statement resulted in the retroactive reporting of the total OPEB liabilities and the reporting of the current year OPEB expenses, in the Town's government wide statements. The Town's net position has been restated as follows:

	Governmental Activities	Business-type Activities	Non-major Component Unit
Net Position at January 1, 2018, as reported	\$ 100,098,636	\$ 5,084,322	\$ 2,728,713
Cumulative effect of a change in accounting principle:			
Other Postemployment Benefits other than Pensions	(100,202,425)	(1,738,085)	117,989
Beginning net position, as restated	\$ (103,789)	\$ 3,346,237	\$ 2,846,702

The information to determine the effect on prior year's financial statements, including the changes in net position, was not readily determinable as of the date of this report.

7. NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements that may have an impact on the Town's financial reporting:

Statement No. 83, "*Certain Assets Retirement Obligations*," establishes criteria for determining the timing and pattern of recognizing a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that the measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimate of the current value of expected outlays. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

8. NEW PRONOUNCEMENTS (continued)

Statement No. 84, "*Fiduciary Activities*," establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

Statement No. 87, "*Leases*," requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*," the objective of which is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement 1) defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established, 2) requires that additional information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses, and 3) requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*," the objectives of which are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 90, "*Majority Equity Interests – an Amendment of GASB Statements No. 14 and 61*" provides guidance regarding the accounting and financial reporting of a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

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

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The capital projects and special grant funds (non-major funds) are budgeted on a project or grant basis.

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

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final	Actual	Variance Positive
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 36,724,800	\$ 36,724,800	\$ 36,724,800	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	820,000	820,000	965,688	145,688
Interest and penalties on real property taxes	260,000	260,000	303,665	43,665
Total Other Real Property Tax Items	1,080,000	1,080,000	1,269,353	189,353
NON-PROPERTY TAX ITEMS				
Franchise fees	3,250,000	3,250,000	3,542,923	292,923
Other non-property tax items	900,000	900,000	1,365,285	465,285
Total Non-Property Tax Items	4,150,000	4,150,000	4,908,208	758,208
DEPARTMENTAL INCOME				
Assessor's fees	15,000	15,000	15,000	-0-
Town Clerk's fees	225,000	249,774	833,919	584,145
Public health fees	650,000	650,000	673,862	23,862
Public pound fees and dog control service	45,000	43,040	43,040	-0-
Wyandanch program fees	80,000	77,503	77,503	-0-
Park and recreation charges and fees	2,400,000	2,400,000	2,489,010	89,010
Total Departmental Income	3,415,000	3,435,317	4,132,334	697,017
USE OF MONEY AND PROPERTY				
Interest and earnings	75,000	75,000	416,697	341,697
Rental of real property	2,300,000	3,140,841	3,137,340	(3,501)
Total Use of Money and Property	2,375,000	3,215,841	3,554,037	338,196
LICENSES AND PERMITS				
Bingo licenses	10,000	8,273	8,273	-0-
Dog licenses	12,000	11,380	11,380	-0-
Licenses - other	250			-0-
Plumbing permits	45,000	45,000	45,048	48
Impact fees	100,000	100,000	100,000	-0-
Permits - other	55,000	55,000	67,095	12,095
Total Licenses and Permits	222,250	219,653	231,796	12,143
FINES AND FORFEITURES				
Fines and forfeited bail	1,300,000	1,100,135	1,100,135	-0-
Forfeitures of deposits	90,000	13,070	16,570	3,500
Total Fines and Forfeitures	1,390,000	1,113,205	1,116,705	3,500
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of scrap and excess materials	6,000	5,013	5,013	-0-
Sale of real property		1,065,180	1,065,180	-0-
Total Sale of Property and Compensation for Loss	6,000	1,070,193	1,070,193	-0-
INTERFUND REVENUE				
Interfund revenue	2,800,000	86,344	92,542	6,198
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations	100,000	99,127	99,127	-0-
Refunds of prior years' expenditures	20,000	20,000	249,169	229,169
Grants from local governments	10,000	16,711	16,711	-0-
Miscellaneous local sources	60,000	17,255	17,255	-0-
Narcotics guidance counsel - local aid	75,000	75,000	83,406	8,406
Youth Project safe - local aid	18,000	16,383	16,383	-0-
Youth programs - local aid	290,000	285,650	285,650	-0-
Residential repair - local aid	2,400	2,240	2,240	-0-
Wyandanch nutrition program - local aid	20,000	20,000	35,095	15,095
Other miscellaneous revenue	25,000	25,000	28,537	3,537
Total Miscellaneous Local Sources	620,400	577,366	833,573	256,207

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final	Actual	Variance Positive
REVENUES (continued)				
STATE AID				
Mortgage tax	4,000,000	5,150,494	5,150,494	-0-
Youth programs	140,000	140,000	142,174	2,174
Youth project S.A.F.E.	25,000	18,279	18,279	-0-
Therapeutic recreation and senior day training program	70,000	59,272	59,272	-0-
State grants - other			3,312	3,312
Total State Aid	<u>4,235,000</u>	<u>5,368,045</u>	<u>5,373,531</u>	<u>5,486</u>
FEDERAL AID				
General government aid			11,000	11,000
Narcotics guidance counsel	300,000	300,000	355,573	55,573
Residential repair	20,000	20,000	20,161	161
Wyandanch nutrition program	210,000	206,172	206,172	-0-
Total Federal Aid	<u>530,000</u>	<u>526,172</u>	<u>592,906</u>	<u>66,734</u>
Total Revenues	<u>57,548,450</u>	<u>57,566,936</u>	<u>59,899,978</u>	<u>2,333,042</u>
EXPENDITURES				
GENERAL GOVERNMENT SUPPORT				
Town Board	587,514	584,489	569,269	15,220
Municipal court	138,298	24,359	1,412	22,947
Traffic violations bureau	164,010	167,574	130,003	37,571
Town Supervisor	1,060,173	988,056	987,964	92
Comptroller	901,411	1,034,195	1,003,824	30,371
Auditor	214,000	214,000	204,768	9,232
Receiver of taxes	710,742	713,451	713,447	4
Purchasing	358,928	430,350	430,107	243
Assessor	1,559,539	1,307,221	1,273,606	33,615
Town Clerk	589,518	592,518	579,925	12,593
Town Attorney	1,433,489	1,535,406	1,517,835	17,571
Personnel	187,865	190,661	190,601	60
Engineering	521,485	521,485	499,519	21,966
Board of ethics	1,500	1,500		1,500
Records management	100,470	97,470	94,108	3,362
Public works administration	205,889	260,287	260,235	52
Buildings	3,446,218	3,655,003	3,620,874	34,129
Central garage and central fuel facility	1,661,809	1,564,878	1,550,710	14,168
Central printing and mailing	679,213	573,897	573,840	57
Central data processing	1,130,805	1,090,446	1,044,714	45,732
Unallocated insurance	1,100,000	539,061	536,067	2,994
Municipal association dues	2,000	2,000	1,950	50
Purchase of land / building		27,731	27,731	-0-
Taxes and assessments on municipal property	5,000	3,444	452	2,992
Contingencies - contractual and other	300,000	11,264		11,264
Other general government support	75,000	75,000	49,472	25,528
Total General Government Support	<u>17,134,876</u>	<u>16,205,746</u>	<u>15,862,433</u>	<u>343,313</u>
PUBLIC SAFETY				
Traffic control	681,793	721,672	716,652	5,020
Control of animals	1,015,516	1,203,717	1,197,565	6,152
Examining boards	32,500	32,500	32,142	358
Civil defense	9,000	9,056	9,056	-0-
Total Public Safety	<u>1,738,809</u>	<u>1,966,945</u>	<u>1,955,415</u>	<u>11,530</u>
HEALTH				
Narcotics addiction control	1,109,849	1,056,502	1,016,653	39,849
Therapeutic recreation program	221,500	221,500	221,372	128
Nutrition program	780,068	643,615	612,750	30,865
Youth Institute CCS	828,000	753,186	753,186	-0-
Other public health	348,444	367,362	357,600	9,762
Total Health	<u>3,287,861</u>	<u>3,042,165</u>	<u>2,961,561</u>	<u>80,604</u>

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final	Actual	Variance Positive
EXPENDITURES (continued)				
ECONOMIC ASSISTANCE AND OPPORTUNITY				
Promotion of industry	53,428	53,428	49,034	4,394
Veterans' services	5,000	5,000	3,200	1,800
Programs for the aging	42,708	44,123	36,341	7,782
Total Economic Assistance and Opportunity	<u>101,136</u>	<u>102,551</u>	<u>88,575</u>	<u>13,976</u>
CULTURE AND RECREATION				
Council on the arts	10,000	10,000	10,000	-0-
Parks and recreation administration	974,188	1,174,126	1,174,121	5
Parks	4,953,142	4,997,058	4,995,955	1,103
Playground and recreation centers	526,500	506,485	506,485	-0-
Special recreation facilities	2,250,516	2,456,092	2,456,087	5
Youth programs	730,085	848,945	848,945	-0-
Town historian	101,367	95,605	92,715	2,890
Adult recreation	950,570	944,681	936,911	7,770
Total Culture and Recreation	<u>10,496,368</u>	<u>11,032,992</u>	<u>11,021,219</u>	<u>11,773</u>
HOME AND COMMUNITY SERVICES				
Environmental control	1,214,978	1,225,316	1,224,364	952
Other home and community services	350,000	385,082	385,082	-0-
Loss on property held for resale- revitalization project		518,907	518,907	-0-
Total Home and Community Services	<u>1,564,978</u>	<u>2,129,305</u>	<u>2,128,353</u>	<u>952</u>
EMPLOYEE BENEFITS				
Retirement system	2,547,164	2,475,883	2,475,883	-0-
Social security	1,546,538	1,599,371	1,599,371	-0-
Workers' compensation	1,233,010	581,396	567,386	14,010
Life insurance	24,000	24,000	19,655	4,345
Unemployment benefits	60,000	60,000	56,886	3,114
Disability benefits	25,000	25,000	18,482	6,518
Hospital, medical, vision and dental	6,580,203	6,686,970	6,672,314	14,656
Other employee benefits	448,154	493,964	493,964	-0-
Total Employee Benefits	<u>12,464,069</u>	<u>11,946,584</u>	<u>11,903,941</u>	<u>42,643</u>
DEBT SERVICE				
Principal	6,660,691	7,066,382	7,066,382	-0-
Interest	2,778,979	2,786,500	2,786,500	-0-
Bond issuance costs	130,000	38,597	38,597	-0-
Total Debt Service	<u>9,569,670</u>	<u>9,891,479</u>	<u>9,891,479</u>	<u>-0-</u>
Total Expenditures	<u>56,357,767</u>	<u>56,317,767</u>	<u>55,812,976</u>	<u>504,791</u>
Excess of Revenues Over Expenditures	<u>1,190,683</u>	<u>1,249,169</u>	<u>4,087,002</u>	<u>2,837,833</u>
OTHER FINANCING SOURCES (USES)				
Premium on obligations	200,000	200,000	248,914	48,914
Sale of capital assets	150,000	150,000	241,746	91,746
Insurance recovery	10,000	1,514	1,514	-0-
Operating transfers in			128,425	128,425
Operating transfers out	(3,750,000)	(3,800,000)	(3,800,000)	-0-
Total Other Financing Sources (Uses)	<u>(3,390,000)</u>	<u>(3,448,486)</u>	<u>(3,179,401)</u>	<u>269,085</u>
Net Change in Fund Balance	<u>\$ (2,199,317)</u>	<u>\$ (2,199,317)</u>	<u>907,601</u>	<u>\$ 3,106,918</u>
Fund Balance at Beginning of Year			<u>53,153,266</u>	
Fund Balance at End of Year			<u>\$ 54,060,867</u>	

TOWN OF BABYLON
RESIDENTIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 15,422,260	\$ 15,422,260	\$ 15,422,260	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	6,065,942	5,970,726	5,673,147	(297,579)
Long Island Green Homes	1,750,000	1,750,000	1,518,415	(231,585)
Total Departmental Income	<u>7,815,942</u>	<u>7,720,726</u>	<u>7,191,562</u>	<u>(529,164)</u>
USE OF MONEY AND PROPERTY				
Interest earnings	350,000	350,000	389,309	39,309
Total Use of Money and Property	<u>350,000</u>	<u>350,000</u>	<u>389,309</u>	<u>39,309</u>
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			882	882
STATE AID				
Home and community services aid		65,053	65,053	-0-
Total Revenues	<u>23,588,202</u>	<u>23,558,039</u>	<u>23,069,066</u>	<u>(488,973)</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	23,543,953	25,466,993	25,431,655	35,338
Landfill closure/postclosure costs	125,000	136,467	126,277	10,190
Long Island Green Homes program	500,000	491,434	491,434	-0-
Unallocated insurance	65,000	23,142	23,142	-0-
Total Home and Community Services	<u>24,233,953</u>	<u>26,118,036</u>	<u>26,072,508</u>	<u>45,528</u>
EMPLOYEE BENEFITS				
Retirement system	101,060	137,971	137,965	6
Social security	61,057	75,313	75,313	-0-
Workers' compensation	47,850	73,922	73,922	-0-
Life insurance	900	830	830	-0-
Unemployment benefits	500			-0-
Disability benefits	1,200	1,362	1,362	-0-
Hospital, medical, vision and dental	203,354	242,784	242,784	-0-
Union welfare benefits	18,521	24,962	24,962	-0-
Total Employee Benefits	<u>434,442</u>	<u>557,144</u>	<u>557,138</u>	<u>6</u>
DEBT SERVICE				
Principal	73,421	73,421	73,421	-0-
Interest	27,749	27,749	27,749	-0-
Bond issuance costs	2,500	1,609	1,609	-0-
Total Debt Service	<u>103,670</u>	<u>102,779</u>	<u>102,779</u>	<u>-0-</u>
Total Expenditures	<u>24,772,065</u>	<u>26,777,959</u>	<u>26,732,425</u>	<u>45,534</u>
Deficiency of Revenues Under Expenditures	<u>(1,183,863)</u>	<u>(3,219,920)</u>	<u>(3,663,359)</u>	<u>(443,439)</u>
OTHER FINANCING SOURCES (USES)				
Premium on obligations		30,163	30,163	-0-
Operating transfers out		(1,103,782)	(1,103,782)	-0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>(1,073,619)</u>	<u>(1,073,619)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>\$ (1,183,863)</u>	<u>\$ (4,293,539)</u>	<u>(4,736,978)</u>	<u>\$ (443,439)</u>
Fund Balance at Beginning of Year			13,655,619	
Fund at Balance End of Year			<u>\$ 8,918,641</u>	

TOWN OF BABYLON
COMMERCIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 6,802,827	\$ 6,802,827	\$ 6,802,827	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	18,413,405	18,225,157	16,786,659	(1,438,498)
USE OF MONEY AND PROPERTY				
Interest earnings	30,000	218,248	218,248	-0-
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior years' expenditures			821	821
Miscellaneous revenues			65	65
	-0-	-0-	886	886
Total Revenues	<u>25,246,232</u>	<u>25,246,232</u>	<u>23,808,620</u>	<u>(1,437,612)</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	23,064,487	22,521,429	16,499,462	6,021,967
Landfill closure/postclosure costs	255,000	255,000	94,334	160,666
Unallocated insurance	85,000	85,000	18,347	66,653
Litigation settlement		100,000	100,000	-0-
Total Home and Community Services	<u>23,404,487</u>	<u>22,961,429</u>	<u>16,712,143</u>	<u>6,249,286</u>
EMPLOYEE BENEFITS				
Retirement system	200,000	200,000	124,787	75,213
Social security	77,363	77,363	75,161	2,202
Workers' compensation	47,851	100,000	76,150	23,850
Life insurance	275	310	310	-0-
Unemployment benefits	50	50		50
Disability benefits	1,600	1,602	1,602	-0-
Hospital, medical, vision and dental	211,763	211,895	197,690	14,205
Union welfare benefits	14,300	14,300	9,746	4,554
Total Employee Benefits	<u>553,202</u>	<u>605,520</u>	<u>485,446</u>	<u>120,074</u>
DEBT SERVICE				
Principal	497,577	497,577	72,577	425,000
Interest	38,466	38,466	27,727	10,739
Bond issuance costs	2,500	2,500		2,500
Total Debt Service	<u>538,543</u>	<u>538,543</u>	<u>100,304</u>	<u>438,239</u>
Total Expenditures	<u>24,496,232</u>	<u>24,105,492</u>	<u>17,297,893</u>	<u>6,807,599</u>
Excess of Revenues Over Expenditures	<u>750,000</u>	<u>1,140,740</u>	<u>6,510,727</u>	<u>5,369,987</u>
OTHER FINANCING USES				
Operating transfers out	(750,000)	(1,140,740)	(1,140,740)	-0-
Total Other Financing Uses	<u>(750,000)</u>	<u>(1,140,740)</u>	<u>(1,140,740)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>5,369,987</u>	<u>\$ 5,369,987</u>
Fund Balance at Beginning of Year			<u>19,842,176</u>	
Fund at Balance End of Year			<u>\$ 25,212,163</u>	

TOWN OF BABYLON
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 21,959,776	\$ 21,959,776	\$ 21,959,776	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	600,000	576,040	737,427	161,387
USE OF MONEY AND PROPERTY				
Interest earnings	20,000	20,000	138,185	118,185
LICENSES AND PERMITS				
Street inspection fees	125,000	125,000	251,312	126,312
Other permits	20,000	28,037	11,963	(16,074)
Total Licenses and Permits	145,000	153,037	263,275	110,238
MISCELLANEOUS LOCAL SOURCES				
Refund of prior years' expenditures			23,238	23,238
Other miscellaneous revenue	1,500	1,500	1,755	255
Total Miscellaneous Local Sources	1,500	1,500	24,993	23,493
STATE AID				
Consolidated local street and highway improvement program	1,200,000	1,201,304	1,201,304	-0-
PAVE-NY program		512,805	512,805	-0-
Total State Aid	1,200,000	1,714,109	1,714,109	-0-
Total Revenues	23,926,276	24,424,462	24,837,765	413,303
EXPENDITURES				
TRANSPORTATION				
Street administration	643,550	608,550	524,419	84,131
Maintenance of streets	4,331,314	4,331,314	4,163,139	168,175
Permanent improvements	1,276,273	1,815,382	1,808,805	6,577
Machinery	1,192,882	1,202,882	1,141,337	61,545
Snow removal	1,650,000	1,365,433	752,483	612,950
Unallocated insurance	60,000	34,211	34,211	-0-
Total Transportation	9,154,019	9,357,772	8,424,394	933,378
EMPLOYEE BENEFITS				
Retirement system	920,942	694,369	694,369	-0-
Social security	489,593	430,674	430,674	-0-
Workers' compensation	392,118	900,970	900,970	-0-
Life insurance	800	801	530	271
Unemployment benefits	20,000	10,911	10,911	-0-
Disability benefits	1,000	1,000	777	223
Hospital, medical, vision and dental	2,494,908	2,201,537	2,201,264	273
Union welfare benefits	119,656	121,489	121,489	-0-
Total Employee Benefits	4,439,017	4,361,751	4,360,984	767
DEBT SERVICE				
Principal	8,225,931	8,609,594	8,609,594	-0-
Interest	2,107,605	2,111,564	2,111,564	-0-
Bond issuance costs	48,517	48,517	40,207	8,310
Total Debt Service	10,382,053	10,769,675	10,761,365	8,310
Total Expenditures	23,975,089	24,489,198	23,546,743	942,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,813)	(64,736)	1,291,022	1,355,758
OTHER FINANCING SOURCES (USES)				
Premium on obligations	35,000	50,923	19,078	(31,845)
Operating transfers in			110,000	110,000
Total Other Financing Sources (Uses)	35,000	50,923	129,078	78,155
Net Change in Fund Balance	\$ (13,813)	\$ (13,813)	1,420,100	\$ 1,433,913
Fund Balance at Beginning of Year			9,539,841	
Fund Balance at End of Year			\$ 10,959,941	

TOWN OF BABYLON
SPECIAL DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 17,646,579	\$ 17,646,579	\$ 17,646,579	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	588,901	588,901	671,328	82,427
USE OF MONEY AND PROPERTY				
Interest earnings	1,700	1,700	25,528	23,828
Investment income - Length of service award programs			16,260	16,260
Total Use of Money and Property	1,700	1,700	41,788	40,088
Total Revenues	18,237,180	18,237,180	18,359,695	122,515
EXPENDITURES				
PUBLIC SAFETY				
Fire protection districts	16,440,116	16,440,116	16,264,397	175,719
HEALTH				
Ambulance districts	1,797,064	1,797,064	1,794,348	2,716
Total Expenditures	18,237,180	18,237,180	18,058,745	178,435
Net Change in Fund Balance	\$ -0-	\$ -0-	300,950	\$ 300,950
Fund Balance at Beginning of Year			3,539,587	
Fund Balance at End of Year			\$ 3,840,537	

TOWN OF BABYLON
SCHEDULE OF CHANGES IN TOTAL OTHER
POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIO
 Year Ended December 31, 2018

<u>Total OPEB Liability</u>	<u>Total</u>	<u>Town</u>	<u>Agency</u>
Other Postemployment Liability at the Beginning of Year, as reported	\$ 70,423,188	\$ 69,805,189	\$ 617,999
Cumulative Effect of Implementation of GASB #75	<u>101,822,521</u>	<u>101,940,510</u>	<u>(117,989)</u>
Other Postemployment Liability at the Beginning of Year, as restated	<u>172,245,709</u>	<u>171,745,699</u>	<u>500,010</u>
Changes for the Year:			
Service Cost	5,693,554	5,631,629	61,925
Interest	6,031,219	6,012,098	19,121
Changes of Assumptions and Other Inputs	(17,009,492)	(16,944,907)	(64,585)
Benefit Payments	<u>(5,270,834)</u>	<u>(5,258,531)</u>	<u>(12,303)</u>
Net Changes	<u>(10,555,553)</u>	<u>(10,559,711)</u>	<u>4,158</u>
Other Postemployment Liability at the End of Year	<u>\$161,690,156</u>	<u>\$ 161,185,988</u>	<u>\$ 504,168</u>
Covered employee payroll	\$ 27,177,083		
Total OPEB Liability, as a percentage of covered payroll	594.95%		

Note: This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no other date prior to 2018 is available. However, additional years will be included as they become available.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay other postemployment benefits (OPEB).

The Town currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Changes in Benefit Terms

None

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.10%
2017	4.00%

TOWN OF BABYLON
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - EMPLOYEE RETIREMENT SYSTEM
December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the collective net pension liability	0.0803200%	0.0797627%	0.0840236%	0.0809617%	0.0809617%
Town's proportionate share of the net collective pension liability	\$ 2,592,297	\$ 7,494,679	\$ 13,486,025	\$ 2,735,085	\$ 3,658,547
Town's covered-employee payroll	26,820,806	\$ 25,944,546	\$ 25,415,483	\$ 25,090,978	\$ 24,462,213
Town's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll	9.67%	28.89%	53.06%	10.90%	14.96%
Plan fiduciary net position as a percentage of the total pension liability coming from plan	98.24%	94.70%	90.68%	97.90%	97.20%

Notes:

Information prior to 2014 was not available. Additional years will be included as information becomes available.

Amounts presented above were determined as of the System's measurement date of March 31st.

There were no significant changes in benefits for the years presented above.

Changes in assumptions from the March 31, 2016 to March 31, 2017 System plan year were as follows:

- a) The interest (discount) rate was lowered from 7.5% to 7.0% in the actuarial valuation used in the System's March 31, 2016 financial statement.
- b) The inflation rate was lowered from 2.7% to 2.5% in the actuarial valuation used in the System's March 31, 2016 financial statement.

TOWN OF BABYLON
SCHEDULE OF PENSION CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
 December 31, 2018

	NYSERS Years Ended December 31,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,834,065	\$ 3,793,997	\$ 3,913,352	\$ 4,531,827	\$ 4,685,568	\$ 4,986,312	\$ 4,170,015	\$ 3,001,407	\$ 2,494,291	\$ 1,770,792
Contributions in relation to the contractually required contribution	<u>\$ 3,834,065</u>	<u>\$ 3,793,997</u>	<u>\$ 3,913,352</u>	<u>\$ 4,531,827</u>	<u>\$ 4,685,568</u>	<u>\$ 4,986,312</u>	<u>\$ 2,452,354</u>	<u>\$ 2,303,832</u>	<u>\$ 2,164,576</u>	<u>\$ 1,770,792</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,717,661</u>	<u>\$ 697,575</u>	<u>\$ 329,715</u>	<u>\$ -0-</u>
Town's covered-employee payroll	\$ 27,659,807	\$ 26,719,014	\$ 26,625,919	\$ 25,739,585	\$ 24,718,125	\$ 24,096,222	\$ 23,920,750	\$ 23,443,413	\$ 24,931,112	N/A
Contributions as a percentage of covered-employee payroll	13.86%	14.20%	14.70%	17.61%	18.96%	20.69%	10.25%	9.83%	8.68%	N/A

N/A Covered-employee payroll for the year ended December 2009 was not available.

Notes:

Amounts presented for each year were determined as of December 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries Scale AA to Scale MP-2014.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2018

	East Farmingdale Firefighter Plan	
	Years Ended December 31,	
	2018	2017
Total LOSAP Plan Liabilities		
Service cost	\$ 155,475	\$ 109,504
Interest	282,336	316,990
Differences between expected and actual experience	115,449	59,751
Benefit payments, including refunds of member contributions	(168,212)	(157,769)
Changes of assumptions or other inputs	635,792	173,186
Net change in total LOSAP plan liability	1,020,840	501,662
Total LOSAP plan liability - beginning of year (a)	6,618,454	6,116,792
Total LOSAP plan liability - end of year (c)	7,639,294	6,618,454
LOSAP - Pension Trust Fund Net Position		
Contributions - Employer	253,750	106,000
Investment income	106,632	106,073
Change in insurance contracts value	42,930	41,796
Benefit payments, including refunds of member contributions	(168,212)	(157,769)
Net Change in LOSAP fiduciary net position	235,100	96,100
Plan fiduciary net position - beginning of year, restated (b)	4,020,228	3,924,128
Plan fiduciary net position - end of year (d)	4,255,328	4,020,228
Net LOSAP plan liability - beginning of year (a) - (b)	2,598,226	2,192,664
Net LOSAP plan liability - end of year (c) - (d)	\$ 3,383,966	\$ 2,598,226
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	55.7%	60.7%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A
Expected average remaining service years of all participants	9	11

Notes:

Information prior to the December 31, 2017 measurement date was not available. Additional years will be included as information becomes available.

This schedule is presented for the defined benefit LOSAP Firefighter Plans that meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The net pension liability as a percentage of covered payroll is also not applicable.

Changes of assumptions were as follows:

a) The January 1, 2016 LOSAP plan liabilities were based on the RP 2000 Combined- Projected to 2015 mortality table and a 2.00% inflation rate and then changed to RP-2000 Combined - Projected to 2018 mortality table and 2.20% inflation rate for the December 31, 2017 valuation. For the December 31, 2018 the plan liabilities were based on the RP 2014 - no projection mortality tables and a 2.25% inflation rate.

b) The discount rate for the East Farmingdale plan as of December 31, 2017 was 5.25% and was lowered to 4.27% for the December 31, 2018 valuation.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
 Year Ended December 31, 2018

	North Amityville Firefighter Plan	
	Years Ended December 31,	
	2018	2017
Total LOSAP Plan Liabilities		
Service cost	\$ 25,921	\$ 32,673
Interest	120,276	112,893
Differences between expected and actual experience	23,220	39,883
Benefit payments, including refunds of member contributions	(130,487)	(128,573)
Changes of assumptions or other inputs	(109,161)	71,757
Net change in total LOSAP plan liability	(70,231)	128,633
Total LOSAP plan liability - beginning of year (a)	2,343,256	2,214,623
Total LOSAP plan liability - end of year (c)	2,273,025	2,343,256
LOSAP - Pension Trust Fund Net Position		
Contributions - Employer	59,200	112,450
Investment income	57,075	55,559
Change in insurance contracts value	27,367	49,028
Benefit payments, including refunds of member contributions	(130,487)	(128,573)
Net Change in LOSAP fiduciary net position	13,155	88,464
Plan fiduciary net position - beginning of year, restated (b)	1,802,934	1,714,470
Plan fiduciary net position - end of year (d)	1,816,089	1,802,934
Net LOSAP plan liability - beginning of year (a) - (b)	540,322	500,153
Net LOSAP plan liability - end of year (c) - (d)	\$ 456,936	\$ 540,322
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	79.9%	76.9%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A
Expected average remaining service years of all participants	6	7

Notes:

Information prior to the December 31, 2017 measurement date was not available. Additional years will be included as information becomes available.

This schedule is presented for the defined benefit LOSAP Firefighter Plans that meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The net pension liability as a percentage of covered payroll is also not applicable.

Changes of assumptions were as follows:

a) The January 1, 2016 LOSAP plan liabilities were based on the RP 2000 Combined- Projected to 2015 mortality table and a 2.00% inflation rate and then changed to RP-2000 Combined - Projected to 2018 mortality table and 2.20% inflation rate for the December 31, 2017 valuation. For the December 31, 2018 the plan liabilities were based on the RP 2014 - no projection mortality tables and a 2.25% inflation rate.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
 Year Ended December 31, 2018

	North Babylon Firefighter Plan	
	Years Ended December 31,	
	2018	2017
Total LOSAP Plan Liabilities		
Service cost	\$ 145,303	\$ 119,912
Interest	379,907	378,287
Differences between expected and actual experience	19,824	94,643
Benefit payments, including refunds of member contributions	(318,481)	(265,615)
Changes of assumptions or other inputs	(61,148)	316,856
Net change in total LOSAP plan liability	165,405	644,083
Total LOSAP plan liability - beginning of year (a)	8,327,524	7,683,441
Total LOSAP plan liability - end of year (c)	8,492,929	8,327,524
LOSAP - Pension Trust Fund Net Position		
Contributions - Employer	363,700	358,000
Investment income	101,949	96,060
Change in insurance contracts value	81,848	38,281
Benefit payments, including refunds of member contributions	(318,481)	(265,615)
Net Change in LOSAP fiduciary net position	229,016	226,726
Plan fiduciary net position - beginning of year, restated (b)	3,872,028	3,645,302
Plan fiduciary net position - end of year (d)	4,101,044	3,872,028
Net LOSAP plan liability - beginning of year (a) - (b)	4,455,496	4,038,139
Net LOSAP plan liability - end of year (c) - (d)	\$ 4,391,885	\$ 4,455,496
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	48.3%	46.5%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A
Expected average remaining service years of all participants	8	10

Notes:

Information prior to the December 31, 2017 measurement date was not available. Additional years will be included as information becomes available.

This schedule is presented for the defined benefit LOSAP Firefighter Plans that meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The net pension liability as a percentage of covered payroll is also not applicable.

Changes of assumptions were as follows:

- a) The January 1, 2016 LOSAP plan liabilities were based on the RP 2000 Combined- Projected to 2015 mortality table and a 2.00% inflation rate and then changed to RP-2000 Combined - Projected to 2018 mortality table and 2.20% inflation rate for the December 31, 2017 valuation. For the December 31, 2018 the plan liabilities were based on the RP 2014 - no projection mortality tables and a 2.25% inflation rate.
- b) The discount rate for the North Babylon plan as of January 1, 2016 was 5.01% and was lowered to 4.94% for the December 31, 2017 valuation. This discount rate was lowered to 4.61% for the December 31, 2018 valuation.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2018

	North Lindenhurst Firefighter Plan	
	Years Ended December 31,	
	2018	2017
Total LOSAP Plan Liabilities		
Service cost	\$ 89,135	\$ 83,593
Interest	229,550	235,903
Differences between expected and actual experience	148,896	(168,767)
Benefit payments, including refunds of member contributions	(200,562)	(166,225)
Changes of assumptions or other inputs	5,067	142,193
Net change in total LOSAP plan liability	272,086	126,697
Total LOSAP plan liability - beginning of year (a)	4,808,311	4,681,614
Total LOSAP plan liability - end of year (c)	5,080,397	4,808,311
LOSAP - Pension Trust Fund Net Position		
Contributions - Employer	192,600	203,000
Investment income	71,390	68,976
Change in insurance contracts value	51,543	59,917
Benefit payments, including refunds of member contributions	(200,562)	(166,225)
Net Change in LOSAP fiduciary net position	114,971	165,668
Plan fiduciary net position - beginning of year, restated (b)	2,654,623	2,488,955
Plan fiduciary net position - end of year (d)	2,769,594	2,654,623
Net LOSAP plan liability - beginning of year (a) - (b)	2,153,688	2,192,659
Net LOSAP plan liability - end of year (c) - (d)	\$ 2,310,803	\$ 2,153,688
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	54.5%	55.2%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A
Expected average remaining service years of all participants	9	11

Notes:

Information prior to the December 31, 2017 measurement date was not available. Additional years will be included as information becomes available.

This schedule is presented for the defined benefit LOSAP Firefighter Plans that meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The net pension liability as a percentage of covered payroll is also not applicable.

Changes of assumptions were as follows:

- a) The January 1, 2016 LOSAP plan liabilities were based on the RP 2000 Combined- Projected to 2015 mortality table and a 2.00% inflation rate and then changed to RP-2000 Combined - Projected to 2018 mortality table and 2.20% inflation rate for the December 31, 2017 valuation. For the December 31, 2018 the plan liabilities were based on the RP 2014 - no projection mortality tables and a 2.25% inflation rate.
- b) The discount rate for the North Lindenhurst plan as of December 31, 2017 was 5.13% and was lowered to 4.83% for the December 31, 2018 valuation.

TOWN OF BABYLON
SCHEDULE OF LENGTH OF SERVICE AWARD PROGRAMS PENSION CONTRIBUTIONS AND INVESTMENT RETURNS
 Year Ended December 31, 2018

Firefighter Plans as of December 31,

	East Farmingdale		North Amityville		North Babylon		North Lindenhurst	
	2018	2017	2018	2017	2018	2017	2018	2017
Actuarially determined contribution	\$ 292,721	\$ 275,945	\$ 53,548	\$ 70,398	\$ 382,253	\$ 397,918	\$ 240,706	\$ 223,886
Contributions in relation to the actuarially determined contribution	\$ 253,750	\$ 106,000	\$ 59,200	\$ 112,450	\$ 363,700	\$ 358,000	\$ 192,600	\$ 203,000
Contribution deficiency (excess)	\$ 38,971	\$ 169,945	\$ (5,652)	\$ (42,052)	\$ 18,553	\$ 39,918	\$ 48,106	\$ 20,886
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual money-weighted rate of return, net of investment expense	2.29%	4.22%	3.87%	5.78%	3.21%	3.64%	3.59%	5.14%

Notes:

The above information was not available prior to the January 1, 2017 valuation. Additional years will be included as information becomes available.

The Plan Administrator provides a range for the actuarially determined contribution. The schedule above presents the minimum amount of the actuarially determined contribution for the LOSAP plan year ended December 31, 2018 and 2017.

This schedule is presented for LOSAP Firefighter Plans that meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The contribution as a percentage of covered payroll is also not applicable.

TOWN OF BABYLON
SCHEDULE OF CHANGE IN THE LENGTH OF SERVICE AWARD PROGRAM TOTAL PENSION LIABILITY
 Year Ended December 31, 2018

	Firefighter Plan - Wyandanch	
	Year Ended December 31, 2018	December 31, 2017
Total LOSAP Pension Liability		
Service cost	\$ 78,513	\$ 71,488
Interest	37,737	39,459
Differences between expected and actual experience	8,591	
Benefit payments, including refunds of member contributions	(37,688)	(40,493)
Changes of assumptions or other inputs	(111,012)	17,715
Net Change in total LOSAP Pension Liability	(23,859)	88,169
Total LOSAP Pension Liability - beginning of year	1,134,533	1,046,364
Total LOSAP Pension Liability - end of year	\$ 1,110,674	\$ 1,134,533
Covered-employee payroll	N/A	N/A
LOSAP Pension Liability as a percentage of the covered-employee payroll	N/A	N/A
Expected average remaining service years of all participants	15	9

Notes:

The above information was not available prior to the December 31, 2017 measurement date. Additional years will be included as information becomes available.

This schedule is presented for the defined benefit LOSAP Firefighter Plan that does not meet the requirements of a trust or trust equivalent as prescribed by GASB Statement No. 67, 68 and 73 paragraph 4.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

Covered-employee payroll is not applicable to the above LOSAP plans since the participants are volunteer firefighters. The pension liability as a percentage of covered-employee payroll is also not applicable.

There was a change of assumption as follows: The January 1, 2017 LOSAP plan liability was based on the RP-2000 MF with improvement mortality table and then changed to the RP-2014 MF with improvement mortality table for the January 1, 2018 valuation.