

TOWN OF BABYLON
FINANCIAL STATEMENTS
Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2019 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.

Auditor's 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., 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, 2019. 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., 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 auditor's 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...

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Opinions

In our opinion, based on our audit and the reports of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Babylon, New York, as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 October 13, 2020, 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.

Aburat, Vajjar, Zoh & Lemmy P.C.

Hauppauge, New York
October 13, 2020

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

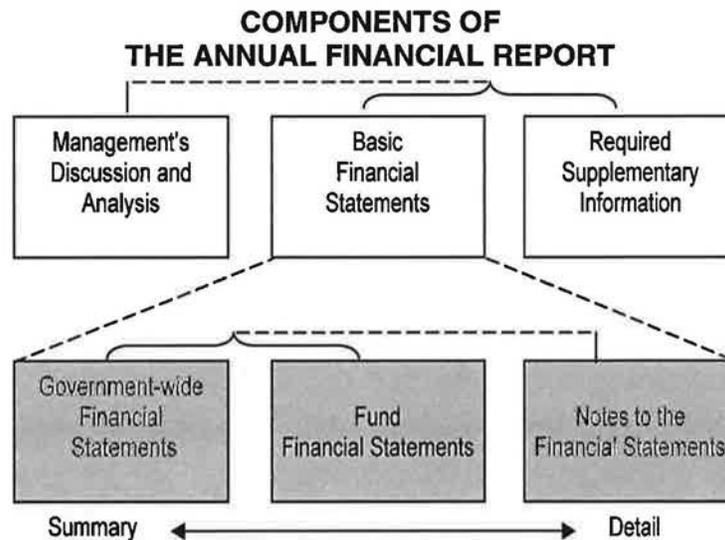
As management of the Town of Babylon, New York (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$32,080,399 (net position) of which \$26,353,553 was related to the governmental activities and \$5,726,846 was related to the business-type activities.
- The Town's net position related to governmental activities increased by \$23,120,533, or 715.14%, from the current year activity.
- The Town's business-type activities reported a decrease in net position of \$58,410, or 1.01% from the current year activity.
- As of the close of 2019, the Town's governmental funds reported combined ending fund balances of \$147,088,239. Of this amount, \$5,517,135 is not in spendable form or is required to remain intact. The remaining \$141,571,104 or approximately 96.25% 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 2019, the Town's total fund balance for the general fund was \$57,920,977, an increase of \$3,860,110 or 7.14% from the prior year. The unassigned fund balance for the general fund was \$32,105,921.
- The Town's total bonded debt (inclusive of general obligation bonds and bond anticipation notes, exclusive of premiums) was \$164,290,000 for the Town's governmental and business-type activities. The total bonded debt decreased by 0.89% 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, 2019

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 component unit 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 four separate legal entities in its report, an industrial development agency, which is shown as discretely presented component unit in the government-wide financial statements, two 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, 2019

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. The Town does not budget 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, 2019

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 \$32,080,399 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	
	2019	2018	2019	2018
Assets				
Current assets	\$ 233,410,448	\$ 226,297,195	\$ 3,650,700	\$ 3,734,795
Capital assets	277,939,905	265,751,742	6,184,955	6,328,059
Other noncurrent assets	28,439,440	28,732,242	1,200,000	1,200,000
Total Assets	539,789,793	520,781,179	11,035,655	11,262,854
Deferred outflow of resources	34,833,342	8,884,897	-0-	-0-
Liabilities				
Current liabilities	36,769,830	34,719,675	45,627	83,264
Noncurrent liabilities	396,285,870	376,407,531	2,950,682	3,006,834
Total Liabilities	433,055,700	411,127,206	2,996,309	3,090,098
Deferred inflows of resources	115,213,882	115,305,550	2,312,500	2,387,500
Net Position				
Net investment in capital assets	142,366,449	131,470,512	6,057,555	6,230,141
Restricted	5,540,360	4,666,495	1,949,813	2,050,742
Unrestricted	(121,553,256)	(132,903,987)	(2,280,522)	(2,495,627)
Total Net Position	\$ 26,353,553	\$ 3,233,020	\$ 5,726,846	\$ 5,785,256

Total assets and deferred outflows of resources of the Town's governmental activities, as of December 31, 2019 were \$574,623,135, an increase of \$44,957,059. Total liabilities and deferred inflows of resources as of December 31, 2019 were \$548,269,582, an increase of \$21,836,826. This results in a total net position balance of \$26,353,553 for the year ended 2019, an increase of \$23,120,533. Of the Town's net position balance, \$142,366,449 was the net investment in capital assets, while \$5,540,360 was restricted by statute or other specific purposes leaving a \$121,553,256 unrestricted deficit net position.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

By far the largest portion of the Town's governmental activities net position, \$142,366,449, 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, 2019, were \$11,035,655 a decrease of \$227,199. Total liabilities and deferred inflows of resources as of December 31, 2019 were \$5,308,809, a decrease of \$168,789. This results in a total net position balance of \$5,726,846 for 2019, a decrease of \$58,410. Of the business-type activities net position balance, \$6,057,555 was the net investment in capital assets, \$1,949,813 was restricted by statute or other specific purposes, leaving a \$2,280,522 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	
	2019	2018	2019	2018
Program Revenue				
Charges for services	\$ 58,845,343	\$ 59,104,835	\$ 75,000	\$ 105,000
Operating grants and contributions	15,879,970	16,567,864		2,134,250
Capital grants and contributions	11,178,906	11,970,587	(3,400)	357,375
Total Program Revenues	85,904,219	87,643,286	71,600	2,596,625
General Revenues				
Real property taxes	81,379,889	81,272,891		
Other real property tax items	2,849,437	2,844,344		
Non-property tax items	5,046,684	4,908,208		
Interest earnings	2,202,786	1,407,637	40,452	19,136
Gain on sale of capital assets	187,113	343,137		
Mortgage tax	5,902,796	5,431,206		
State aid	1,115,651	1,115,651		
Other	276,298	464,405	338,210	328,910
Transfers				19,360
Total General Revenues and Transfers	98,960,654	97,787,479	378,662	367,406
Total Revenues	184,864,873	185,430,765	450,262	2,964,031

(continued)

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

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	
	2019	2018	2019	2018
Program Expenses				
General government support	23,654,315	24,068,208		
Public safety	25,417,075	24,734,556		
Health	6,638,935	6,031,394		
Transportation	25,301,208	29,448,656		
Economic assistance and opportunity	131,217	334,483	65,611	126,803
Culture and recreation	22,231,402	21,958,823		
Home and community services	53,374,763	70,599,262	443,061	378,849
Interest on debt	4,995,425	4,918,574		
Total Program Expenses	161,744,340	182,093,956	508,672	505,652
Change in net position	23,120,533	3,336,809	(58,410)	2,458,379
Net position, beginning of year, as reported	3,233,020	100,098,636	5,785,256	5,064,962
Cumulative effect of change in accounting principle *		(100,202,425)		(1,738,085)
Net position, beginning of year, as restated	3,233,020	(103,789)	5,785,256	3,326,877
Net position, end of year	\$ 26,353,553	\$ 3,233,020	\$ 5,726,846	\$ 5,785,256

*The Town's 2018 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"

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

Net position from all governmental activities increased by \$23,120,533 in the current year. Key elements of the governmental activities are:

- Overall program revenues decreased by \$1,739,067 from the prior year.
- There was a minimal decrease of \$259,492 in charges for services.
- Operating grants and contributions decreased by \$687,894 from the prior year, primarily due to a decrease in grant revenues for the Community Development Block Grant (\$579,126) and the Home Investment Partnership Program (\$137,002) compared to the prior year.
- Capital grants and contributions decreased by \$791,681 compared to the prior year, primarily related to the timing of certain projects and the related reimbursements. The Town recognized less grant revenues related to the Community Development Block Grant Disaster Recovery Program (\$2,712,593). This was offset by an increase in state aid related to the Sawyer LED Lighting grant of \$726,801, the Venetian Shores DASNY Grant in the amount of \$781,817, and an increase in a System for Award Management grant related to the purchase of heavy equipment of \$600,000.
- General revenues increased by \$1,173,175 from the prior year, primarily due to an increase in interest earnings and mortgage tax in the amounts of \$795,149, and \$471,590, respectively. This was offset by a decrease in gain on capital assets in the amount of \$156,024.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

- Overall program expenses decreased by \$20,349,616 from the prior year.
- General government support expenses decreased from the prior year by \$413,893 primarily a result of a decrease in other postemployment benefits allocated (\$449,587).
- Public safety expenses increased by \$682,519 compared to prior year, primarily a result of an increase in the length of service award program expense of \$619,756 related to the change in actuarial assumptions.
- Health expenses increased by \$607,541 compared to the prior year; a result of an increase in personnel expenses in the amount of \$302,439, an increase in the other postemployment benefits allocated of \$116,215, and an increase in program operations of \$111,575.
- Transportation expenses decreased from the prior year by \$4,147,448, a result of a decrease in Community Development Block Grant expenditures (\$3,021,240) as well as a decrease in utilities fees (\$573,224) related to the installation of LED lights throughout the Town.
- Home and community expenses decreased significantly from the prior year by \$17,224,499, primarily a result of a new contract with Covanta (\$11,726,552) and a decrease in Community Development Block Grant expenditures (\$3,368,596) the loss on the sale of Property Held for Resale recognized in the prior year (\$518,907) and a decrease in litigation fees for a settlement recognized in the prior year (\$100,000).

Net position from the business-type activities decreased by \$58,410 in the current year. The current year total revenues decreased by \$2,513,769, primarily due to a decrease in operating grants received by the Local Development Corporation. Program expenses remained consistent over the prior year.

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

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2019	2018	2019	2018	2019	2018
General government support	\$ 23,654,315	\$ 24,068,208	\$ 3,472,684	\$ 3,192,767	\$ (20,181,631)	\$ (20,875,441)
Public safety	25,417,075	24,734,556	4,301,211	4,205,014	(21,115,864)	(20,529,542)
Health	6,638,935	6,031,394	1,874,227	1,762,812	(4,764,708)	(4,268,582)
Transportation	25,301,208	29,448,656	8,002,319	10,240,604	(17,298,889)	(19,208,052)
Economic assistance and opportunity	131,217	334,483	37,408	37,231	(93,809)	(297,252)
Culture and recreation	22,231,402	21,958,823	7,923,062	6,427,601	(14,308,340)	(15,531,222)
Home and community services	53,374,763	70,599,262	60,293,308	61,777,257	6,918,545	(8,822,005)
Interest on debt	4,995,425	4,918,574			(4,995,425)	(4,918,574)
	<u>\$ 161,744,340</u>	<u>\$ 182,093,956</u>	<u>\$ 85,904,219</u>	<u>\$ 87,643,286</u>	<u>\$ (75,840,121)</u>	<u>\$ (94,450,670)</u>

The total cost of all governmental activities this year was \$161,744,340. The net cost of these services after being subsidized by programs revenues of \$85,904,219 was \$75,840,121.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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, 2019, the Town's governmental funds reported total ending fund balances of \$147,088,239 an increase of \$14,394,286 in comparison with the prior year. The category breakdown is as follows:

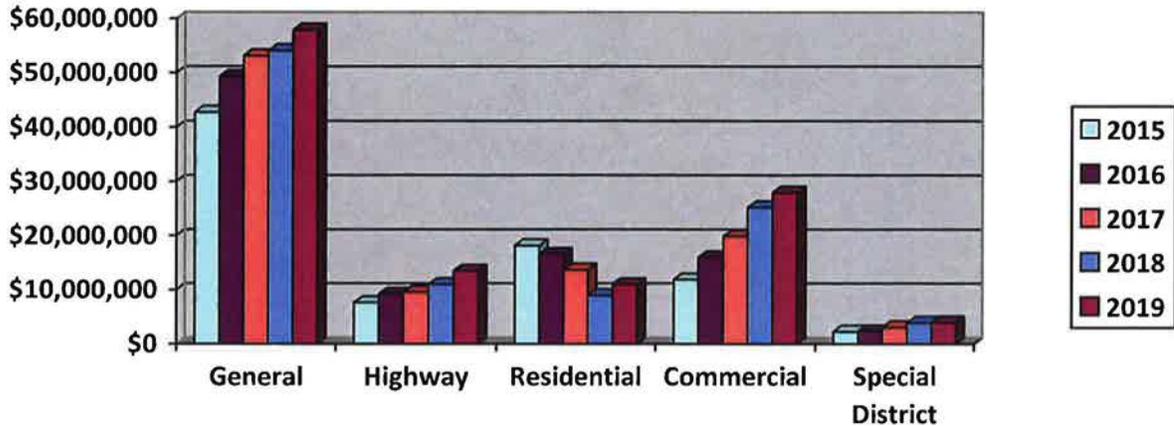
- **Nonspendable fund balance** - \$5,517,135 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$31,244,069 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$81,434,150 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** - \$28,892,885, (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, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Below is a summary of the Town's major funds' fund balances for 2015 through 2019.



The Town began the year with an anticipated overall \$7,518,061 (including prior year encumbrances of \$123,046) decrease resulting from the appropriation of fund balance for the 2019 budget. Total revenues decreased from the prior year by \$1,227,871 primarily a result of the decrease in real property taxes and license and permit fees in the amounts of \$908,919 and \$99,980, respectively.

Overall, governmental expenditures decreased by \$11,030,722 from the prior year. This is primarily due to a decrease in home and community costs in the amount of \$10,322,706, a result of decreased costs related to the new Covanta agreement.

Net other financing sources (uses) decreased by \$1,377,482 compared to prior year, primarily a result of overall lower proceeds from bonds in the amount of \$1,203,350.

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 \$57,920,977, increasing \$3,860,110 or 7.14% from the prior year. Of this amount, \$4,854,267 is not in spendable form (property held for resale and inventory) and \$13,925,540 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 \$39,141,170, \$6,948,592 has been assigned by the Town Board for the subsequent year's budget, \$86,657 has been assigned for purchase orders by the Town Comptroller and \$32,105,921 is shown as unassigned fund balance.

The key elements of the fund balance increase of \$3,860,110 are as follows:

- Overall revenues exceeded the budgeted expectations by \$4,978,960, due to State Aid-Mortgage Tax, which was over the budget by \$1,886,353, due to an increase in home sales within the Town, non-property tax items, which was over the budget by \$746,684, a result of a higher collections of other non-property tax items which was over budget \$549,026, as well as rental of real property, which was over budget by \$596,541, a result of higher than expected collections on the new Town beach leases. Interest and earnings recognized in the current year as well as Town Clerk's fees which exceeded the budget by \$433,599 and \$378,126, respectively.
- Actual revenues increased by \$910,416 compared to prior year, which is primarily related to the general fund's increase of \$735,859 in the mortgage tax received in the current year, which is a function of home sales in the Town and is received from New York State.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

- Overall expenditures were under budget in the amount of \$2,284,719. This is primarily due to a lower than anticipated costs within the general government support function in the amount of \$1,410,324, which were most significant in insurance, central garage and central fuel facility. The employee benefits function also had lower than anticipated costs in the amount of \$360,119, which were related to expenditures in the hospital, medical, vision and dental costs being less than anticipated.
- Actual expenditures were in line with the prior year, as they decreased slightly by \$98,569, or 0.20%, from the prior year.
- Net other financing sources (uses) decreased by \$1,943,866 due to a decrease in operating transfers out and an increase in operating transfers in as a result of capital projects funding.

Residential Garbage District Fund

At the end of the current year, the total fund balance of the residential garbage district fund was \$10,951,004, increasing \$2,032,363 or 22.79% from the prior year. Total fund balance is as follows: \$3,400,000 has been assigned by the Town Board for the subsequent year's budget, \$7,744 has been assigned for purchase orders by the Town Comptroller and \$7,543,260 is assigned for residential garbage district purposes.

The key elements of the fund balance increase of \$2,032,363 are as follows:

- Total revenues exceeded budgeted expectations by \$2,842,753, a result of an increase in miscellaneous local sources of \$3,227,434 received related to excess debt service return on Covanta Bonds that matured on January 1, 2019, offset by a decrease in refuse and garbage fees of \$580,376.
- Overall actual revenues increased by \$1,754,993 compared to the prior year, a result of an increase in miscellaneous local sources, as noted above, by \$3,227,552 offset by a decrease in refuse and garbage charges of \$1,428,355, due to the new agreement with Covanta, which resulted in the reduction of energy credits to be received by the Town.
- Total expenditures were under budget by \$1,494,851, primarily due to less refuse and garbage fees and unallocated insurance disbursed than anticipated in the amounts of \$1,358,749 and \$51,332, respectively.
- Actual expenditures were less than last year by \$6,119,546 mostly due to decreases in professional and technical services compared to the prior year in the amount of \$6,936,193 offset by an increase in program operations of \$526,826 and equipment costs in the amount of \$214,334.
- Other financing sources increased by \$12,708 due to an increase in operating transfers in, resulting from residual equity transfers from the capital projects fund.
- Actual other financing uses increased from the prior year in the amount of \$1,117,906 primarily due to the timing of operating transfers to the capital projects fund to fund ongoing projects.

Commercial Garbage District Fund

At the end of the current year, the total fund balance of the commercial garbage district fund was \$27,945,439 increasing \$2,733,276 or 10.84% from the prior year. Total fund balance is as follows: \$4,869,292 has been assigned by the Town Board for the subsequent year's budget, and \$23,076,147 is assigned for commercial garbage district purposes.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Commercial Garbage District Fund (continued)

The key elements of the fund balance increase of \$2,733,276 are as follows:

- Overall revenues were over budget by \$1,573,511, a result of an increase in miscellaneous local sources of \$2,464,705 received related to excess debt service return on Covanta Bonds that matured on January 1, 2019, offset by a decrease in refuse and garbage fees of \$1,097,831.
- Actual revenues decreased by \$3,170,841 compared to the prior year due to less refuse and garbage fees collected in the amount of \$4,728,657 over the prior year as well as lower property taxes received over the prior year of \$1,019,392, offset by an increase in miscellaneous local sources, as noted above, in the amount of \$2,463,819.
- Total expenditures were under budget by \$1,135,250 due to a surplus in the refuse and garbage expenditures in the amount of \$951,326, resulting from under realized professional and technical service fees (\$810,670) salaries (\$85,554) and equipment costs (\$19,497). Additional surplus resulted in repairs and maintenance related to the landfill closure/post closure costs of \$59,705 as well as underrealized insurance of \$62,627.
- Actual expenditures decreased from the prior year in the amount of \$4,544,547, primarily a result of a reduction in professional and technical services of \$4,793,358 due to the new Covanta agreement reducing the energy credits received by the Town.
- Other financing sources increased by \$50,327 due to an increase in operating transfers in, resulting from residual equity transfers from the capital projects fund.
- Actual other financing uses increased from the prior year in the amount of \$4,060,744 as a result of operating transfers to the capital projects fund to fund ongoing projects.

Highway Fund

At the end of the current year, the total fund balance of the highway fund was \$13,430,210 increasing \$2,470,269 or 22.54%, from the prior year. Of this amount, \$374,445 is not in spendable form (inventory), \$60,704 has been restricted for debt service, \$305,122 has been assigned by the Town Board for the subsequent year's budget, and the remaining \$12,689,939 is assigned for highway purposes.

The key elements of the fund balance increase of \$2,470,269 are as follows:

- Total revenues exceeded budgeted expectations by \$280,425, primarily a result of an increase in interest and earnings of \$169,095 as well as the Town receiving additional payments in lieu of taxes in the amount of \$103,564, which were not anticipated.
- Actual revenues decreased from the prior year by \$151,250, due to a decrease in amounts received for the consolidated highway aid program and street opening permits in the amounts of \$203,508 and \$116,490, respectively, in comparison with the prior year. This decrease was offset by an increase in amounts received in interest earnings in the amount of \$105,910, compared to the prior year.
- Total expenditures were under budget by \$1,735,938 due to a surplus in the transportation expenditures related to snow removal and maintenance of streets in the amounts of \$848,556, and \$230,799, respectively.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Highway Fund (continued)

- Actual expenditures were lower than prior year by \$829,864, a result of the decrease in expenditures for in debt service payments in the amount of \$1,041,911, offset by increase in transportation salaries in the amount of \$249,065.
- Other financing sources exceeded budgeted expectations in the amount of \$500,633 primarily due to the Town not budgeting for premiums received on bond obligations in the amount of \$428,473 as well as operating transfers in amounting to \$72,160.
- Net actual other financing sources increased from the prior year in the amount of \$371,555 due to an increase in premiums on obligations received of \$409,395, offset by a decrease in operating transfers in of \$37,840.

Capital Projects Fund

At the end of the current year, the capital projects fund had a total fund balance of \$19,694,069, an increase of \$2,674,266, or 15.71%. Of this amount, \$1,892,491 has been restricted for purchase orders or contractual obligations by the Town Comptroller and \$9,785,073 was restricted to specific capital project expenditures. The remaining balance of \$8,032,176 includes an amount of \$9,412,666 which is assigned for capital projects costs and outstanding amounts for purchases orders or contractual obligations in the amount of \$1,816,875 offset by an unassigned (negative) fund balance related to the street lighting project in the amount of \$3,213,036. 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 \$2,674,266 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 \$3,943,093, an increase of \$102,556, or 2.67%, from the prior year. Of this amount, \$200,667 is not in spendable form (prepaid items), \$1,184,474 is restricted for length of service award program plan benefits, and the remaining \$2,557,952, is assigned for the special districts fund.

The key elements of the fund balance increase of \$102,556 is as follows:

- Total actual revenues exceeded budgeted expectations by \$302,879, a result of additional payments in lieu of taxes collected than anticipated (\$113,908), and investment income related to length of service aware program plan assets (\$162,619) that was not budgeted.
- Actual revenues increased by \$444,617 compared to the prior year, primarily a result of an increase in real property taxes assessed and the use of money and property in the amounts of \$237,226 and \$161,553, respectively.
- Total expenditures were under budget by \$141,062 primarily due to less fire protection district costs than anticipated.
- Actual expenditures increased by \$643,011 compared to prior year, primarily a result of higher program operation costs for the fire protection districts (\$619,756) and the ambulance district (\$23,255).

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

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 \$521,446.

- The part-town fund's fund balance was \$6,705,313 at December 31, 2019, which is an increase of \$121,761 from the prior year. Total revenues in the part-town fund of \$8,222,034 decreased by \$321,817 from the prior year, a result of less real property taxes assessed (\$418,291), which was offset by increases in safety inspection fees (\$69,626). Actual revenues exceeded budgeted expectations by \$335,914, primarily relating to planning board fees safety inspection fees and zoning fees. Overall, total expenditures were \$8,106,308 for 2019, an increase of \$90,700 from the prior year. The increase is primarily attributable to an overall increase in employee benefits (\$50,543) and an increase in salaries in the fire marshal department and planning division (\$103,515). This increase was offset by a decrease in engineer salaries of \$40,776. Actual expenditures were lower than final budgeted amounts by \$197,083 primarily attributable actual salaries amounting to \$143,863 under budget.
- The total fund balance of the community development agency fund at December 31, 2019 was \$606,297, a decrease of \$224,276 from the prior year. Total revenues were \$7,583,381, a decrease of \$2,353,570, from the prior year due to less federal aid recognized related to the Community Development Block Grant Disaster Recovery. Total expenditures at December 31, 2019 were \$7,749,957, a decrease of \$2,352,486 compared to the prior year. This decrease is a result of less federal aid expenditures related to the Community Development Block Grant Disaster Recovery.
- The total fund balance in the other special revenue fund at December 31, 2019 was \$1,767,826, which was an increase of \$34,442 from the prior year, which is primarily a result of an increase in animal donations (\$15,971) and an increase in playground improvement revenue (\$14,400).
- The total fund balance of the housing assistance agency fund at December 31, 2019 was \$1,383,137, a decrease of \$95,831 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.
- The total fund balance for the lighting district at December 31, 2019 was \$2,101,818, an increase of \$672,365 from the prior year, which is primarily a result of a decrease in street lighting contractual expenditures, including utilities and repairs and maintenance in the amounts of \$573,224 and \$74,534, respectively.

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, 2019 and 2018, the amount of the change and percentage change in relation to the prior year.

	2019	2018	\$ Change	% Change
Revenues (in Millions)				
Real property taxes	\$102.6	\$103.5	-\$0.9	-0.87%
Other real property tax items	2.8	2.8	0.0	0.00%
Non-property tax items	5.0	4.9	0.1	2.04%
Department income	27.6	32.8	-5.2	-15.85%
Use of money and property	5.6	4.5	1.1	24.44%
Licenses and permits	0.4	0.5	-0.1	-20.00%
Fines and forfeitures	1.1	1.1	0.0	0.00%
Sale of property and compensation for loss	0.4	1.1	-0.7	-63.64%
Interfund revenue	0.2	0.1	0.1	100.00%
Miscellaneous local sources	9.7	3.3	6.4	193.94%
State aid	10.3	9.3	1.0	10.75%
Federal aid	21.1	24.1	-3.0	-12.45%
Total Governmental Fund Revenues	\$186.8	\$188.0	-\$1.2	-0.64%

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Summary of All Governmental Funds Revenues and Expenditures (continued)

Expenditures (in Millions)	2019	2018	\$ Change	% Change
General government support	\$16.0	\$16.1	-\$0.1	-0.62%
Public safety	22.2	21.4	0.8	3.74%
Health	6.2	5.8	0.4	6.90%
Transportation	14.5	17.7	-3.2	-18.08%
Economic assistance and opportunity	0.1	0.3	-0.2	-66.67%
Culture and recreation	12.0	12.1	-0.1	-0.83%
Home and community services	50.1	60.4	-10.3	-17.05%
Employee benefits	20.9	20.5	0.4	1.95%
Capital outlay	24.7	22.1	2.6	11.76%
Debt Service:				
Principal	15.0	16.5	-1.5	-9.09%
Interest	5.5	5.3	0.2	3.77%
Bond issuance costs	0.1	0.1	0.0	0.00%
Total Governmental Fund Expenditures	\$187.3	\$198.3	-\$11.0	-5.55%

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the 2019 original budget and the final amended budget are adopted by Town Board resolution throughout the year. During the year the Town decreased the original budget for total expenditures by \$7,565 and increased the original budget for other financing sources related to more than anticipated operating transfers out by \$4,500. The original budget for the Town's total revenue remained the same. The main components of the overall decrease in the Town's appropriations were decreases in general government support, home and community and employee benefits in the amounts of \$470,141, \$126,915 and \$28,434, respectively. This decrease was offset by increases in public safety, health, culture and recreation, and debt service expenditures in the amounts of \$273,534, \$31,909, \$194,229, and \$118,253 respectively. Other financing sources (uses) increased by \$4,500 due to the overall effect of interfund transfers. 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, 2019 amounted to \$277,939,905 and \$6,184,955, respectively. The Town's capital assets include land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges and the water system infrastructure.

In 2019, the Town of Babylon's major capital expenditures were as follows:

Various highway road improvements	\$	8,255,797
Reconstruction of Town buildings		4,715,334
Copiague American Venice Bridges		3,261,486
Ashfill Expansion		2,686,418
Various park improvements		2,220,672
Consolidated Local Street and Highway Improvement Program		1,488,892

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

Capital Assets at December 31, 2019 and 2018
 (Net of depreciation)

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 26,407,812	\$ 26,411,985	\$ 468,664	\$ 468,664
Construction in progress	28,586,534	33,759,973	298,636	285,136
Building and improvements	92,415,220	84,203,937	368,311	389,876
Machinery and equipment	15,256,310	12,525,304	89	750
Infrastructure	115,274,029	108,850,543	5,049,255	5,183,633
Totals	<u>\$ 277,939,905</u>	<u>\$ 265,751,742</u>	<u>\$ 6,184,955</u>	<u>\$ 6,328,059</u>

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

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

Long-Term Debt

At the end of the current year, the Town has total long-term bonded debt outstanding of \$163,090,000 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 \$2,936,000 outstanding in guaranteed assistance contract loans payable.

Outstanding Debt

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
General obligation bonds payable *	\$ 163,090,000	\$ 164,568,350		
Bond anticipation notes			\$ 1,200,000	\$ 1,200,000
Guaranteed assistance contract loans payable	2,936,000	3,123,000		
	<u>\$ 166,026,000</u>	<u>\$ 167,691,350</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

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

In 2019 the Town's total long-term debt above decreased by \$1,665,350 or 0.99% 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 during October 2019, Moody's Investors Service, Inc. reaffirmed the Town's underlying rating of 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 \$1,479,512,150. The percentage of debt contracting exhausted at December 31, 2019 was 10.3% 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, 2019

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.

Starting in 2008, the Town began 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 has completed most pre-development work for the redevelopment project including rezoning, securing necessary permits and community approvals, demolishing existing structures, remediating and grading the properties that cover Wyandanch Rising Phase I. Phase I of the construction for the revitalization of the Urban Renewal Area began in the summer of 2013 and consisted of the construction of new residential, retail, commercial and civic space in downtown Wyandanch. To date, four 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; and an additional residential building of 124 units totaling 124,000 square feet, comprised of one hundred percent affordable rental units.

Construction will begin shortly on two additional buildings; first, the Liner Building, which will "line" the existing MTA/LIRR parking garage, with a 94-unit senior living building to be operated by the non-profit group Self Help; and second, is a 1,200 square foot building to be used as the new Wyandanch Resource Center. 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 is currently planning for Wyandanch Rising Phase II. Phase II consists of the "block" to the immediate south of the Long Island Railroad, bounded by Straight Path to the west, the LIRR to the north, Doe Street to the east and Commonwealth Drive to the south.

Phase II is critical for the continued progress of the Wyandanch Rising initiative, as it will provide the connection, and "bridge" the development on the north and south sides of the LIRR. Phase II continues the existing transit-oriented development and connects the existing buildings and what is currently being constructed and planned in Phase I, to the existing businesses along the Straight Path corridor. Phase II will also increase the quantity and diversity of downtown Wyandanch's housing stock, while adding community-wide amenities, namely, the proposed "South Lawn" area, which will provide over one acre of Town-owned open space for both passive and active recreation opportunities. The existing Wyandanch Post Office building is a key component of the Wyandanch Rising Phase II development.

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 2020 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 2020 budget lines.

TOWN OF BABYLON
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

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

- 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. Due to the COVID-19 Pandemic, the Town is not able to determine the impact on fund balance at this time.
- 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.

The Town of Babylon has been monitoring the economic impact of the COVID-19 Pandemic very closely and has taken several precautionary measures to reduce expenditure budgets for both Operating and Capital Funds for fiscal year 2020. Non-Property Tax Revenues have been negatively impacted due to the unprecedented nation-wide shut down and pause on business operations; however, the full year impact is difficult to project at this time. The Town Board adopted revisions to the 2020 Operating Budgets, with reductions occurring in the General Fund, the Highway and Special Districts Funds primarily rely upon property taxes to fund spending and the Garbage Districts primarily rely on refuse and garbage fees to fund spending.

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, 2019

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 159,051,336	\$ 3,626,500	\$ 162,677,836	\$ 4,584,491
Cash with fiscal agent	320,505		320,505	
Restricted cash	114,564		114,564	
Accounts receivable, net of allowance and noncurrent portion	4,940,854	121,500	5,062,354	509,625
Taxes receivable	59,036,846		59,036,846	
Long Island Green Homes receivable, net of noncurrent portion	877,313		877,313	
Internal balances	126,681	(126,681)	-	
Due from other governments, net of noncurrent portion	7,044,096	29,381	7,073,477	
Inventory	723,478		723,478	
Prepaid items	1,174,775		1,174,775	17,513
Total Current Assets	<u>233,410,448</u>	<u>3,650,700</u>	<u>237,061,148</u>	<u>5,111,629</u>
Noncurrent Assets:				
Accounts receivable, noncurrent portion	6,522,261		6,522,261	
Long Island Green Homes receivable, noncurrent portion	3,434,779		3,434,779	
Due from other governments, noncurrent portion		1,200,000	1,200,000	
Property held for resale	17,297,926		17,297,926	
Non-depreciable capital assets	54,994,346	767,300	55,761,646	919,918
Capital assets, net of accumulated depreciation/ amortization	222,945,559	5,417,655	228,363,214	34,909
Length of service award program plan assets	1,184,474		1,184,474	
Total Noncurrent Assets	<u>306,379,345</u>	<u>7,384,955</u>	<u>313,764,300</u>	<u>954,827</u>
Total Assets	<u>539,789,793</u>	<u>11,035,655</u>	<u>550,825,448</u>	<u>6,066,456</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	46,250		46,250	
Pension - employees' retirement system	6,881,580		6,881,580	117,420
Length of service award programs	2,090,103		2,090,103	
Other postemployment benefits	25,815,409		25,815,409	147,215
Total Deferred Outflows of Resources	<u>34,833,342</u>	<u>-0-</u>	<u>34,833,342</u>	<u>264,635</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	10,738,607	45,627	10,784,234	11,787
Accrued interest payable	1,412,700		1,412,700	
Due to other governments, net of current portion	885,502		885,502	1,135,229
Unearned revenues	336,740		336,740	3,500
Long-term obligations due within one year	23,396,281		23,396,281	6,781
Total Current Liabilities	<u>36,769,830</u>	<u>45,627</u>	<u>36,815,457</u>	<u>1,157,297</u>
Noncurrent Liabilities:				
Unearned revenues	266,941		266,941	
Due to other governments	6,522,261		6,522,261	
Long-term obligations due in more than one year	389,496,668	2,950,682	392,447,350	929,634
Total Noncurrent Liabilities	<u>396,285,870</u>	<u>2,950,682</u>	<u>399,236,552</u>	<u>929,634</u>
Total Liabilities	<u>433,055,700</u>	<u>2,996,309</u>	<u>436,052,009</u>	<u>2,086,931</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	89,224,920		89,224,920	
Deferred service concession arrangement receipt		2,312,500	2,312,500	
Pension - employees' retirement system	1,929,799		1,929,799	46,055
Length of service award programs	442,276		442,276	
Other postemployment benefits	23,616,887		23,616,887	53,041
Total Deferred Inflows of Resources	<u>115,213,882</u>	<u>2,312,500</u>	<u>117,526,382</u>	<u>99,096</u>
NET POSITION				
Net investment in capital assets	142,366,449	6,057,555	148,424,004	919,918
Restricted				
Debt Service	1,342,705		1,342,705	
Length of service award programs	1,184,474		1,184,474	
Public safety	22,743		22,743	
Health	705,720		705,720	
Transportation	208,000		208,000	
Economic assistance and opportunity	6,685	1,949,813	1,956,498	
Culture and recreation	330,637		330,637	
Home and community services	1,739,396		1,739,396	
Unrestricted	(121,553,256)	(2,280,522)	(123,833,778)	3,225,146
Total Net Position	<u>\$ 26,353,553</u>	<u>\$ 5,726,846</u>	<u>\$ 32,080,399</u>	<u>\$ 4,145,064</u>

See notes to the financial statements.

TOWN OF BABYLON
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2019

	MAJOR FUNDS								
	General Fund	Residential Garbage District Fund	Commercial Garbage District Fund	Highway Fund	Capital Projects Fund	Special Districts Fund	Total Major Governmental Funds	Non-major Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 48,936,432	\$ 17,313,625	\$ 29,648,678	\$ 19,279,963	\$ 20,413,985	\$ 8,093,536	\$ 143,686,219	\$ 15,365,117	\$ 159,051,336
Cash with fiscal agent	259,801			60,704			320,505		320,505
Restricted cash							-0-	114,564	114,564
Accounts receivable	2,495,894	634,321	1,308,751	440			4,439,406	7,023,709	11,463,115
Taxes receivable	26,542,553			16,016,574			55,968,995	3,067,851	59,036,846
Long Island Green Homes receivable		4,312,092					4,312,092		4,312,092
Due from other funds	374,401			299,547			673,948		673,948
Due from other governments	2,527,382			34,008	2,293,358	30,014	4,884,762	2,159,334	7,044,096
Inventory	261,277			374,445			635,722	87,756	723,478
Prepaid items						200,667	200,667		200,667
Property held for resale	17,236,529						17,236,529	61,397	17,297,926
Length of service award program plan assets						1,184,474	1,184,474		1,184,474
Total Assets	\$ 98,634,269	\$ 22,260,038	\$ 30,957,429	\$ 36,065,681	\$ 22,707,343	\$ 22,918,559	\$ 233,543,319	\$ 27,879,728	\$ 261,423,047
LIABILITIES									
Accounts payable and accrued liabilities	\$ 1,387,792	\$ 2,098,415	\$ 1,352,841	\$ 189,083	\$ 2,710,654	\$ 182,239	\$ 7,921,024	\$ 2,555,261	\$ 10,476,285
Due to other funds					299,547		299,547	247,720	547,267
Due to other governments	6,783				3,073		9,856	7,397,907	7,407,763
Unearned revenue	533,882	69,799					603,681		603,681
Liabilities payable from restricted cash							-0-	114,564	114,564
Total Liabilities	1,928,457	2,168,214	1,352,841	189,083	3,013,274	182,239	8,834,108	10,315,452	19,149,560
DEFERRED INFLOWS OF RESOURCES									
Unearned revenue- property taxes	37,197,996	4,828,728	1,659,149	22,446,388		18,793,227	84,925,488	4,299,432	89,224,920
Unavailable revenue	1,586,839	4,312,092					5,898,931	61,397	5,960,328
Total Deferred Inflows of Resources	38,784,835	9,140,820	1,659,149	22,446,388	-0-	18,793,227	90,824,419	4,360,829	95,185,248
FUND BALANCES									
Nonspendable	4,854,267			374,445		200,667	5,429,379	87,756	5,517,135
Restricted	13,925,540			60,704	11,677,564	1,184,474	26,848,282	4,395,787	31,244,069
Assigned	7,035,249	10,951,004	27,945,439	12,995,061	11,229,541	2,557,952	72,714,246	8,719,904	81,434,150
Unassigned	32,105,921				(3,213,036)		28,892,885		28,892,885
Total Fund Balances	57,920,977	10,951,004	27,945,439	13,430,210	19,694,069	3,943,093	133,884,792	13,203,447	147,088,239
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 98,634,269	\$ 22,260,038	\$ 30,957,429	\$ 36,065,681	\$ 22,707,343	\$ 22,918,559	\$ 233,543,319	\$ 27,879,728	\$ 261,423,047

See notes to the financial statements.

TOWN OF BABYLON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2019

Total Fund Balance - Governmental Funds		\$ 147,088,239
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	\$ 54,994,346	
Capital assets - depreciable	656,475,356	
Accumulated depreciation	<u>(433,529,797)</u>	
		277,939,905
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.		974,108
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	4,312,092	
Due from other governments	1,586,839	
Assets held for resale	<u>61,397</u>	
		5,960,328
Deferred outflows of resources are included in the Statement of Net Position.		34,833,342
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	(166,987,818)	
Guaranteed assistance contract loans payable	(2,936,000)	
Due to employees' retirement system	(730,353)	
Compensated absences	(5,077,460)	
Claims and judgments payable	(7,719,589)	
Estimated liability for landfill closure and postclosure care costs	(32,634,089)	
Net employees' retirement system pension liability - proportionate share	(5,629,960)	
Net length of service award programs plan liabilities	(10,357,700)	
Other postemployment benefits payable	(179,228,597)	
Length of service award program plan liabilities	<u>(1,591,383)</u>	
		(412,892,949)
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.		(1,560,458)
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>(25,988,962)</u>
Net Position of Governmental Activities		<u>\$ 26,353,553</u>

TOWN OF BABYLON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended December 31, 2019

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	\$ 36,924,187	\$ 15,425,735	\$ 5,783,435	\$ 22,047,198		\$ 17,883,805	\$ 98,064,360	\$ 4,524,699	\$ 102,589,059
Other real property tax items	1,228,915			753,564		711,536	2,694,015	155,422	2,849,437
Non-property tax items	5,046,684						5,046,684		5,046,684
Departmental income	4,356,831	5,763,207	12,058,002				22,178,040	5,378,526	27,556,566
Use of money and property	4,030,140	407,683	305,637	244,095	\$ 266,542	203,341	5,457,438	149,954	5,607,392
Licenses and permits	243,989			151,102			395,091		395,091
Fines and forfeitures	1,096,465						1,096,465		1,096,465
Sale of property and compensation for loss	375,231		26,000		900		402,131		402,131
Interfund revenue	162,918						162,918		162,918
Miscellaneous local sources	631,952	3,227,434	2,464,705	1,664	1,200,271	5,630	7,531,656	2,141,670	9,673,326
State aid	6,107,855			1,488,892	2,461,534		10,058,281	217,635	10,275,916
Federal aid	605,227				455,582		1,060,809	20,083,267	21,144,076
Total Revenues	60,810,394	24,824,059	20,637,779	24,686,515	4,384,829	18,804,312	154,147,888	32,651,173	186,799,061
EXPENDITURES									
Current:									
General government support	15,758,831						15,758,831	216,780	15,975,611
Public safety	2,161,194					16,884,153	19,045,347	3,195,955	22,241,302
Health	3,212,512					1,817,603	5,030,115	1,161,381	6,191,496
Transportation	342			8,594,071			8,594,413	5,942,110	14,536,523
Economic assistance and opportunity	83,254						83,254		83,254
Culture and recreation	11,230,016						11,230,016	726,222	11,956,238
Home and community services	1,460,524	19,956,502	12,155,090				33,572,116	16,546,643	50,118,759
Employee benefits	12,206,727	533,725	506,380	4,403,354			17,650,186	3,254,498	20,904,684
Capital Outlay					24,709,387		24,709,387		24,709,387
Debt Service:									
Principal	6,661,233	83,317	65,650	7,465,122			14,275,322	695,028	14,970,350
Interest	2,909,466	39,335	26,226	2,192,565			5,167,592	325,732	5,493,324
Bond issuance costs	30,650			61,767			92,417	13,713	106,130
Total Expenditures	55,714,749	20,612,879	12,753,346	22,716,879	24,709,387	18,701,756	155,208,996	32,078,062	187,287,058
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,095,645	4,211,180	7,884,433	1,969,636	(20,324,558)	102,556	(1,061,108)	573,111	(487,997)
OTHER FINANCING SOURCES (USES)									
Principal amount of bond proceeds					13,305,000		13,305,000		13,305,000
Premium on obligation	168,975			428,473	973,800		1,571,248	6,035	1,577,283
Operating transfers in	1,099,990	42,871	50,327	72,160	9,985,372		11,250,720		11,250,720
Operating transfers out	(2,504,500)	(2,221,688)	(5,201,484)		(1,265,348)		(11,193,020)	(57,700)	(11,250,720)
Total Other Financing Sources (Uses)	(1,235,535)	(2,178,817)	(5,151,157)	500,633	22,998,824	-0-	14,933,948	(51,665)	14,882,283
Net Change in Fund Balances	3,860,110	2,032,363	2,733,276	2,470,269	2,674,266	102,556	13,872,840	521,446	14,394,286
Fund Balances at Beginning of Year	54,060,867	8,918,641	25,212,163	10,959,941	17,019,803	3,840,537	120,011,952	12,682,001	132,693,953
Fund Balances at End of Year	\$ 57,920,977	\$ 10,951,004	\$ 27,945,439	\$ 13,430,210	\$ 19,694,069	\$ 3,943,093	\$ 133,884,792	\$ 13,203,447	\$ 147,088,239

See notes to the financial statements.

TOWN OF BABYLON
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2019

Net Change in Fund Balance **\$ 14,394,286**

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	\$ 29,689,004	
Depreciation expense	(17,338,777)	
Net loss on disposal of capital assets	<u>(162,064)</u>	12,188,163

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. 15,593

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. (511,566)

Mortgage tax revenues are reported in the governmental funds when considered "available" and in the Statement of Activities when "earned." 16,443

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

Amortization of deferred charges on refundings	(88,421)	
Pension related amounts - employees' retirement system	(43,628)	
Length of service award plan program amounts	265,085	
Other postemployment benefits	<u>25,815,409</u>	25,948,445

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	(13,305,000)	
Repayment of bond principal	14,783,350	
Premiums received	(1,577,283)	
Amortization of bond premiums	613,684	
Repayment of guarantee assistance contract loans	187,000	
Employees' retirement system	254,965	
Compensated absences	106,217	
Claims and judgments	154,697	
Estimated liability for landfill closure and postclosure care costs	381,549	
Net employees' retirement system pension liability - proportionate share	(3,037,663)	
Net length of service award programs plan liabilities	185,890	
Other postemployment benefits payable	(19,849,443)	
Length of service award program liabilities	<u>(214,798)</u>	(21,316,835)

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. (84,448)

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. 252,921

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

Pension related amounts - employees' retirement system	2,605,129	
Length of service award plan program amounts	(51,556)	
Other postemployment benefits	<u>(10,336,042)</u>	(7,782,469)

Change in Net Position of Governmental Activities **\$ 23,120,533**

TOWN OF BABYLON
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
 December 31, 2019

	East Farmingdale Water District	Oak Beach Water District	Town of Babylon L.D. Corporation II	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,614,441		\$ 2,012,059	\$ 3,626,500
Accounts receivable, net of allowance	121,500			121,500
Due from other governments		\$ 29,381		29,381
Total Current Assets	<u>1,735,941</u>	<u>29,381</u>	<u>2,012,059</u>	<u>3,777,381</u>
Noncurrent Assets:				
Due from other governments		1,200,000		1,200,000
Non-depreciable capital assets	194,964	298,636	273,700	767,300
Capital assets, net of accumulated depreciation	5,417,655			5,417,655
Total Noncurrent Assets	<u>5,612,619</u>	<u>1,498,636</u>	<u>273,700</u>	<u>7,384,955</u>
Total Assets	<u>7,348,560</u>	<u>1,528,017</u>	<u>2,285,759</u>	<u>11,162,336</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	44,908	719		45,627
Due to other fund		126,681		126,681
Total Current Liabilities	<u>44,908</u>	<u>127,400</u>	<u>-0-</u>	<u>172,308</u>
Noncurrent Liabilities:				
Long-term obligations due in more than one year	1,750,682	1,200,000		2,950,682
Total Noncurrent Liabilities	<u>1,750,682</u>	<u>1,200,000</u>	<u>-0-</u>	<u>2,950,682</u>
Total Liabilities	<u>1,795,590</u>	<u>1,327,400</u>	<u>-0-</u>	<u>3,122,990</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipt	2,312,500			2,312,500
Total Deferred Inflows of Resources	<u>2,312,500</u>	<u>-0-</u>	<u>-0-</u>	<u>2,312,500</u>
NET POSITION				
Net investment in capital assets	5,612,619	171,236	273,700	6,057,555
Restricted				
Copiague façade renovation grant program			121,989	121,989
Affordable housing			913,912	913,912
Economic development			913,912	913,912
Unrestricted	(2,372,149)	29,381	62,246	(2,280,522)
Total Net Position	<u>\$ 3,240,470</u>	<u>\$ 200,617</u>	<u>\$ 2,285,759</u>	<u>\$ 5,726,846</u>

See notes to the financial statements.

TOWN OF BABYLON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
Year Ended December 31, 2019

	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
Total Operating Revenues	75,000	\$ -0-	\$ -0-	75,000
OPERATING EXPENSES				
Water administration		15,982		15,982
Retiree benefits	81,480			81,480
Management and administration fees	178,233		63,610	241,843
Depreciation	156,604			156,604
Insurance	10,762			10,762
Total Operating Expenses	427,079	15,982	63,610	506,671
Loss from Operations	(352,079)	(15,982)	(63,610)	(431,671)
NON-OPERATING REVENUE (EXPENSE)				
Rental income from cell tower rentals	338,210			338,210
State aid		(3,400)		(3,400)
Interest income	21,603		18,849	40,452
Copiague façade renovation grant program fees			(2,001)	(2,001)
Total Non-Operating Revenue (Expense)	359,813	(3,400)	16,848	373,261
Change in Net Position	7,734	(19,382)	(46,762)	(58,410)
Net Position - Beginning of Year	3,232,736	219,999	2,332,521	5,785,256
Net Position - End of Year	\$ 3,240,470	\$ 200,617	\$ 2,285,759	\$ 5,726,846

See notes to the financial statements.

TOWN OF BABYLON
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended December 31, 2019

	East Farmingdale Water District	Oak Beach Water District	Town of Babylon L.D. Corporation II	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid to third party management and others	\$ (194,180)	\$ (15,654)		\$ (209,834)
Cash paid on behalf of retirees	(137,632)			(137,632)
Cash paid for contractual expenses			\$ (63,610)	(63,610)
Net Cash Used for Operating Activities	<u>(331,812)</u>	<u>(15,654)</u>	<u>(63,610)</u>	<u>(411,076)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets		(13,500)		(13,500)
Capital grant		(32,781)		(32,781)
Due to other fund		61,935		61,935
Payments of Copiague façade renovation program			(2,001)	(2,001)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-0-</u>	<u>15,654</u>	<u>(2,001)</u>	<u>13,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental income from cell towers	332,525			332,525
Interest income	21,604		18,849	40,453
Net Cash Provided by Investing Activities	<u>354,129</u>	<u>-0-</u>	<u>18,849</u>	<u>372,978</u>
Net increase (decrease) in cash and cash equivalents	22,317	-0-	(46,762)	(24,445)
Cash and Cash Equivalents at Beginning of Year	1,592,124	-0-	2,058,821	3,650,945
Cash and Cash Equivalents at End of Year	<u>\$ 1,614,441</u>	<u>\$ -0-</u>	<u>\$ 2,012,059</u>	<u>\$ 3,626,500</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES				
Loss from operations	\$ (352,079)	\$ (15,982)	\$ (63,610)	\$ (431,671)
Adjustments to reconcile loss from operations to net cash used for operating activities:				
Depreciation expense	156,604			156,604
Increase (decrease) in:				
Accounts payable	(5,185)	328		(4,857)
Deferred service concession arrangement receipts	(75,000)			(75,000)
Other postemployment benefits payable	(56,152)			(56,152)
Net Cash Used for Operating Activities	<u>\$ (331,812)</u>	<u>\$ (15,654)</u>	<u>\$ (63,610)</u>	<u>\$ (411,076)</u>

NONCASH CAPITAL AND FINANCING ACTIVITIES:

The Oak Beach Water District's capital grant in the amount of (\$32,781) is reported net of the change in due from other governments related to this grant of \$3,400.

TOWN OF BABYLON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2019

	Length of Service Award Programs - Pension Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 381,137	\$ 39,367,736
Guaranteed annuity contracts	7,473,429	
Cash value of life insurance contracts	755,080	
Equities	2,141,965	
Fixed income	3,244,398	
	<hr/>	<hr/>
Total Assets	13,996,009	\$ 39,367,736
	<hr/>	<hr/>
LIABILITIES		
Due to school districts		\$ 33,873,324
Due to fire districts		3,502,887
Due to other Counties for tuition tax		1,053,001
Agency fund liabilities		938,524
		<hr/>
Total Liabilities	-0-	\$ 39,367,736
		<hr/>
FIDUCIARY NET POSITION		
Net position held in trust for length of service award programs	\$ 13,996,009	
	<hr/>	

TOWN OF BABYLON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2019

	<u>Length of Service Award Programs - Pension Trust Funds</u>
ADDITIONS	
Plan contributions *	\$ 1,326,450
Investment income:	
Investment earnings	649,509
Net increase in cash surrender value of investments	<u>56,570</u>
Total investment income	706,079
Total Additions	<u>2,032,529</u>
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	<u>978,575</u>
Total Deductions	<u>978,575</u>
Change in Fiduciary Net Position	1,053,954
Fiduciary Net Position - Beginning of Year	<u>12,942,055</u>
Fiduciary Net Position - End of Year	<u><u>\$ 13,996,009</u></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 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:

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 was formed on October 26, 1987 pursuant to subparagraph (c)(3) of Section 501 of the Not-For-Profit Corporation Law. 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. Human & Therapeutic Services was formed on December 26, 1979 pursuant to subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. 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.

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.

- c) 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 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, 2019 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, 2019 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 2030.

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 2020 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 2020.

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 \$46,000 for a deferred charge on refunding bonds, \$6,882,000 for pension related activities, \$25,815,000 for other postemployment benefits, and \$2,090,000 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, other postemployment benefits, and length of service award programs' deferred outflows of resources are disclosed in Notes 3.F, 3.G 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 2020 real estate taxes of approximately \$89,200,000 and unavailable revenues of approximately \$5,960,000, 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 \$1,930,000 related to pension related activities, approximately \$23,617,000 for other postemployment benefits, and approximately \$442,000 for the length of service award programs. The components of the pension plan, other postemployment benefits and length of service award programs' deferred inflows of resources are disclosed in Notes 3.F, 3.G and 3.H, respectively.

The East Farmingdale water district has reported deferred inflows of resources of approximately \$2,313,000 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 changes 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, 2019 the Town adopted:

Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, "Certain Asset Retirement Obligations"; Statement No. 84, "Fiduciary Activities"; Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"; Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period"; Statement No. 90, "Majority Equity Interests"; Statement No. 91, "Conduit Debt Obligations"; Statement No. 92, "Omnibus 2020"; and Statement No. 93, "Replacement of Interbank Offered Rates".

The effective dates of the following pronouncements are postponed by eighteen months: Statement No. 87, "Leases".

The implementation of this Statement had 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.
- 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

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 2019.

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:								
Property held of resale	\$ 4,592,990							\$ 4,592,990
Prepaid items						\$ 200,667		200,667
Inventory	261,277			\$ 374,445			87,756	723,478
Total Nonspendable	4,854,267	\$ -0-	\$ -0-	374,445	\$ -0-	200,667	87,756	5,517,135
Restricted for:								
Debt service	1,282,001			60,704				1,342,705
Property held of resale	12,643,539							12,643,539
Capital projects					9,785,073			9,785,073
Purchases on order or contractual obligations					1,892,491			1,892,491
Grantors and donors restrictions							4,090,327	4,090,327
Length of service award program investments to be used for benefits						1,184,474		1,184,474
Guaranteed assistance contract							305,460	305,460
Total Restricted	13,925,540	-0-	-0-	60,704	11,677,564	1,184,474	4,395,787	31,244,069
Assigned to:								
Subsequent year's budget	6,948,592	3,400,000	4,869,292	305,122			1,258,681	16,781,687
Capital projects					9,412,666			9,412,666
Purchases on order or contractual obligations	86,657	7,744			1,816,875		6,179	1,917,455
Special revenue funds		7,543,260	23,076,147	12,689,939		2,557,952	7,455,044	53,322,342
Total Assigned	7,035,249	10,951,004	27,945,439	12,995,061	11,229,541	2,557,952	8,719,904	81,434,150
Unassigned, reported in General Fund	32,105,921	-0-	-0-	-0-	(3,213,036)	-0-	-0-	28,892,885
Total Fund Balances	\$ 57,920,977	\$ 10,951,004	\$ 27,945,439	\$ 13,430,210	\$ 19,694,069	\$ 3,943,093	\$ 13,203,447	\$ 147,088,239

C. FUND DEFECIT

The Capital Projects Fund, unassigned fund balance deficit of \$3,213,036 at December 31, 2019 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, 2019.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND CASH EQUIVALENTS (continued)

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, 2019 the Town's cash book balance was \$199,824,411. This amount is inclusive of Agency fund deposits of \$39,367,736 cash with fiscal agent of \$320,505 and restricted cash of \$114,564 exclusive of petty cash of \$5,115 and blended component unit cash of \$2,651,115. This also excludes the LOSAP's cash balance. The Town's available bank balance was \$203,164,206 excluding the blended component units. Of the Town's available bank balance, \$2,603,492 was covered by Federal deposit insurance, and \$200,560,714 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name. The blended component unit's available balance was \$2,619,172, of which \$706,499 was covered by Federal deposit insurance and \$1,762,059 was covered by collateral held by the Town's agent, a third-party financial institution. The remaining balance of \$150,614 was under collateralized.

At December 31, 2019 the Town's discretely presented component units bank balance was \$4,688,041. Of this balance, \$500,000 was covered by Federal deposit insurance and \$4,188,041 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, 2019, 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, 2019, 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	\$ 374,401	
Highway Fund	299,547	
Capital Projects Fund		\$ 299,547
Non-major Funds		247,720
Enterprise Fund:		
Oak Beach Water District		126,681
Total	\$ 673,948	\$ 673,948

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				\$ 1,099,990		\$ 1,099,990
Residential Garbage District Fund				42,871		42,871
Commercial Garbage District Fund				50,327		50,327
Highway Fund				72,160		72,160
Capital Projects Fund	\$ 2,504,500	\$ 2,221,688	\$ 5,201,484		\$ 57,700	9,985,372
Total	\$ 2,504,500	\$ 2,221,688	\$ 5,201,484	\$ 1,265,348	\$ 57,700	\$ 11,250,720

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, 2019 is as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 26,411,985		\$ (4,173)	\$ 26,407,812
Construction in progress	33,759,973	\$ 12,862,157	(18,035,596)	28,586,534
Total capital assets not being depreciated	<u>60,171,958</u>	<u>12,862,157</u>	<u>(18,039,769)</u>	<u>54,994,346</u>
Depreciable capital assets:				
Building and improvements	134,133,392	13,032,865	(86,350)	147,079,907
Machinery and equipment	40,478,422	5,527,549	(1,178,089)	44,827,882
Infrastructure	448,261,365	16,306,202		464,567,567
Total depreciable capital assets	<u>622,873,179</u>	<u>34,866,616</u>	<u>(1,264,439)</u>	<u>656,475,356</u>
Less: accumulated depreciation				
Buildings and improvements	49,929,455	4,763,274	(28,042)	54,664,687
Machinery and equipment	27,953,118	2,692,787	(1,074,333)	29,571,572
Infrastructure	339,410,822	9,882,716		349,293,538
Total accumulated depreciation	<u>\$ 417,293,395</u>	<u>\$ 17,338,777</u>	<u>\$ (1,102,375)</u>	<u>433,529,797</u>
Total net depreciable capital assets				<u>222,945,559</u>
Total net capital assets				<u>\$ 277,939,905</u>

Depreciation was charged to functions and programs as follows:

General government support	\$ 455,347
Public safety	269,894
Health	128,038
Transportation	10,621,515
Culture and recreation	4,457,892
Home and community services	<u>1,406,091</u>
Total depreciation expense - governmental activities	<u>\$17,338,777</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, 2019 is as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 468,664			\$ 468,664
Construction in progress	285,136	\$ 13,500		298,636
Total capital assets not being depreciated	753,800	13,500	\$ -0-	767,300
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	8,517,990	-0-	-0-	8,517,990
Less: accumulated depreciation				
Buildings and improvements	916,451	21,565		938,016
Machinery and equipment	350,920	661		351,581
Infrastructure	1,676,360	134,378		1,810,738
Total accumulated depreciation	\$ 2,943,731	\$ 156,604	\$ -0-	3,100,335
Total net depreciable capital assets				5,417,655
Total net capital assets				\$ 6,184,955

Depreciation expense in the amount of \$156,604 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, 2019 is as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<u>Discretely Presented Non-major Component Unit- Babylon IDA:</u>				
Capital assets not being depreciated:				
Land	\$ -0-	\$ 919,918		\$ 919,918
Total capital assets not being depreciated	-0-	919,918	\$ -0-	919,918
Capital assets:				
Leasehold improvements	50,037			50,037
Total capital assets	50,037	-0-	-0-	50,037
Less: accumulated amortization				
Leasehold improvements	8,146	6,982	-0-	15,128
Total accumulated amortization	\$ 8,146	\$ 6,982	\$ -0-	15,128
Total net depreciable capital assets				34,909
Total net capital assets				\$ 954,827

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, 2019, 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, 2019, 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.

As of December 31, 2019, 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 2021 and therefore has classified this property held for resale as a noncurrent asset in the Statement of Net Position.

E. LONG-TERM DEBT

Guaranteed Assistance Contract Loan

The Town's guaranteed assistance contract loan payable at December 31, 2019 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, 2019, the Town received the full amount of the commitment, plus interest earnings in the aggregate amount of \$4,108,456, and spent \$3,802,996 of the loan proceeds. The remaining amount of \$305,460, inclusive of interest earnings, is reported as restricted fund balance. This loan bears interest at a fixed rate ranging from 2.540% to 3.635% and will mature in August 2032.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM DEBT (continued)

Guaranteed Assistance Contract Loan (continued)

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
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	228,000	63,581	291,581
2025-2029	1,191,000	219,247	1,410,247
2030-2032	690,000	45,563	735,563
Total	<u>\$ 2,936,000</u>	<u>\$ 637,128</u>	<u>\$ 3,573,128</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.

Environmental Facilities Corporation (EFC) Note Payable

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, as the Town is looking to dissolve this fund in 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.

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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM DEBT (continued)

General Obligation Bonds Payable (continued)

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
2020	\$ 15,270,000	\$ 5,429,377	\$ 20,699,377
2021	14,960,000	4,913,429	19,873,429
2022	10,770,000	4,400,311	15,170,311
2023	11,030,000	4,055,101	15,085,101
2024	11,315,000	3,682,753	14,997,753
2025-2029	57,345,000	12,263,122	69,608,122
2030-2034	30,845,000	4,421,061	35,266,061
2035-2039	8,870,000	1,072,942	9,942,942
2040-2043	2,685,000	128,492	2,813,492
Total	\$ 163,090,000	\$ 40,366,588	\$ 203,456,588

There were no outstanding bonds payable for the business-type activities or the discretely presented non-major component units as of December 31, 2019.

Changes in Long-term Liabilities

Long-term liability activity for the primary government for the year ended December 31, 2019 is as follows:

	Balance 1/1/19	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/19	Liabilities Due Within One Year	Non-Current Liabilities
Governmental activities:							
General obligation bonds	\$ 164,568,350	\$ 13,305,000	\$ 14,783,350		\$ 163,090,000	\$ 15,270,000	\$ 147,820,000
Plus: premiums on issuance	2,934,219	1,577,283	613,684		3,897,818	418,581	3,479,237
General obligation bonds, net	167,502,569	14,882,283	15,397,034		166,987,818	15,688,581	151,299,237
Guaranteed assistance contract loans payable	3,123,000		187,000		2,936,000	195,000	2,741,000
Due to employees' retirement system	985,318		254,965		730,353	263,184	467,169
Compensated absences	5,183,677	3,512,262	3,618,479		5,077,460	3,330,000	1,747,460
Claims and judgments payable	7,874,286	911,250	411,186	(654,761)	7,719,589	397,001	7,322,588
Estimated liability for landfill closure and postclosure care costs	33,015,638		474,200	92,651	32,634,089	3,522,515	29,111,574
Net employees' retirement system pension liability - proportionate share	2,592,297	4,357,722	3,833,931	2,513,872	5,629,960		5,629,960
Total other postemployment benefits liability	159,379,154	26,620,657	22,250,581	15,479,367	179,228,597		179,228,597
Net length of service award programs plan liabilities	10,543,590	1,462,837	1,975,959	327,432	10,357,700		10,357,700
Length of service award programs total plan liabilities	1,376,585	179,706	49,914	85,006	1,591,383		1,591,383
Total Governmental Activities	391,576,114	51,926,517	48,453,249	17,843,567	412,892,949	23,396,281	389,496,668
Business-type activities:							
EFC note payable	1,200,000				1,200,000		1,200,000
Total other postemployment benefits liability	1,806,834	219,786	275,938		1,750,682		1,750,682
Total Business Type Activities	3,006,834	219,786	275,938	-0-	2,950,682	-0-	2,950,682
Total Primary Government	\$ 394,582,948	\$ 52,146,303	\$ 48,729,187	\$ 17,843,567	\$ 415,843,631	\$ 23,396,281	\$ 392,447,350

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, 2019 is as follows

	Balance, as Restated, 1/1/19	Issued/ Additions	Maturities/ Reductions	Other Net Increase or (Decrease)	Balance 12/31/19	Liabilities Due Within One Year	Non-Current Liabilities
Discretely presented non-major component unit - Babylon IDA:							
Compensated absences	\$ 121,496	37,462	51,810		\$ 107,148	6,781	\$ 100,367
Total other postemployment benefits liability	504,168	\$ 241,937	\$ 26,514		719,591		719,591
Net employees' retirement system pension liability - proportionate share	52,041	194,119	136,484		109,676		109,676
Total Discretely Presented Non-major Component Unit	\$ 677,705	\$ 473,518	\$ 214,808	\$ -0-	\$ 936,415	\$ 6,781	\$ 929,634

A summary of current and long-term debt amounts as of December 31, 2019 is as follows:

	Noncurrent Liabilities due Within One Year	Noncurrent Liabilities	Balance at 12/31/19
Governmental activities:			
General obligation bonds	\$ 15,270,000	\$ 147,820,000	\$ 163,090,000
Plus: premiums on issuance	418,581	3,479,237	3,897,818
General obligation bonds, net	15,688,581	151,299,237	166,987,818
Guaranteed assistance contract loans payable	195,000	2,741,000	2,936,000
Due to employees' retirement system	263,184	467,169	730,353
Compensated absences	3,330,000	1,747,460	5,077,460
Claims and judgments payable	397,001	7,322,588	7,719,589
Estimated liability for landfill closure and postclosure care costs	3,522,515	29,111,574	32,634,089
Net employees' retirement system pension liability - proportionate share		5,629,960	5,629,960
Total other postemployment benefits liability		179,228,597	179,228,597
Net length of service award programs plan liabilities		10,357,700	10,357,700
Length of service award programs total plan liabilities		1,591,383	1,591,383
Total Governmental Activities	23,396,281	389,496,668	412,892,949
Business-type activities:			
EFC note payable		1,200,000	1,200,000
Total other postemployment benefits liability		1,750,682	1,750,682
Total Business Type Activities	-0-	2,950,682	2,950,682
Total Primary Government	\$ 23,396,281	\$ 392,447,350	\$ 415,843,631
Discretely presented non-major component unit - Babylon IDA:			
Compensated absences	\$ 6,781	\$ 100,367	\$ 107,148
Total other postemployment benefits liability		719,591	719,591
Net employees' retirement system pension liability - proportionate share		109,676	109,676
Total Discretely Presented Non-major Component Unit	\$ 6,781	\$ 929,634	\$ 936,415

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, 2019, the outstanding Series 2009 A and B bond balances were paid in full. 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's compensation used in the final average salary calculation 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% greater than 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 of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10% of the average of the previous four years.

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 generally 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
2019	\$ 3,928,377	\$ 2,296	\$ 287,437	\$ (34,239)	\$ 4,183,871
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

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, 2019 the amount due to the System related to this deferral is \$730,353.

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, 2020	\$ 263,184	\$ 23,116	\$ 286,300
2021	271,671	14,629	286,300
2022	195,498	5,865	201,363
	<u>\$ 730,353</u>	<u>\$ 43,610</u>	<u>\$ 773,963</u>

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

At December 31, 2019, the Town and Agency reported a liability of \$5,629,960 and \$109,676, respectively for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. 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, 2019:

	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	\$ 5,629,960	0.07945970%	-0.0008608%
Agency	109,676	0.0015479%	0.0000646%

There was no significant change in the Town and Agency's proportion from March 31, 2018 to March 31, 2019.

For the year ended December 31, 2019, the Town and Agency recognized pension expense of \$4,357,856 and \$72,340, respectively. At December 31, 2019, deferred outflows of resources related to the pension were reported from the following sources:

	<u>Deferred Outflows of Resources</u>	
	Town	Agency
Differences between expected and actual experience	\$ 1,108,657	\$ 21,598
Changes of assumptions	1,415,142	27,568
Changes in proportion and differences between the employer contributions and proportionate share of contributions	1,434,601	15,714
Employer's contribution subsequent to the measurement date	2,923,180	52,540
Total Deferred Outflow - System Pension	<u>\$ 6,881,580</u>	<u>\$ 117,420</u>

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)

At December 31, 2019 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	\$ 377,929	\$ 7,362
Net difference between projected and actual investment earnings on pension plan investment	1,444,960	28,149
Changes in proportion and differences between the employer contributions and proportionate share of contributions	106,910	10,544
Total Deferred Inflow - System Pension	\$ 1,929,799	\$ 46,055

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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, 2020	\$ 1,721,157	\$ 23,177
2021	(747,250)	(19,362)
2022	160,971	(206)
2023	893,723	15,216
	\$ 2,028,601	\$ 18,825

Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, 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, 2019
Actuarial valuation date	April 1, 2018
Investment rate of return (net of investment expenses, including inflation)	7.0%
Salary increases	4.2%
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, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

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, 2019 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%
	<u>100.0%</u>	

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

*Excludes equity-oriented long-only global funds of \$2.82 billion. For investment management purposes, these funds are included in domestic equity and international equity.

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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

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)	\$ 24,615,094	\$ 5,629,960	\$ (10,318,895)
Agency's proportionate share of the net System pension liability (asset)	\$ 479,522	\$ 109,676	\$ (201,020)

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, 2018 were as follows (in thousands):

	(Dollars in Thousands)
	NYSERS
Valuation date	April 1, 2018
Employers' total pension liability	\$ 189,803,429
Plan Fiduciary Net Position	(182,718,124)
Employers' net pension liability	\$ 7,085,305
Ratio of plan fiduciary net position to the Employers' total pension liability	96.27%

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.

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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS (continued)

G. OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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 January 1, 2019 is as follows:

	Total	Town	Agency
Active employees	377	370	7
Retirees	321	319	2
Surviving spouses *	23	23	0
	721	712	9

*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 \$181,698,870, which includes the component unit ("Agency") OPEB liability of \$719,591, was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019, 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 2.74% as of December 31, 2019, 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-2017. The valuation assumes an 8.0% (pre age 65) and 5.0% (post age 65) healthcare cost trend for 2019, which an ultimate medial trend rate of 5% to be reached in 2025 (pre age 65) and 2018 (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	\$ 161,690,156	\$ 161,185,988	\$ 504,168
Changes for the Year:			
Service Cost	4,605,513	4,544,190	61,323
Interest	5,988,861	5,967,027	21,834
Difference between expected and actual experience	(17,144,627)	(17,155,632)	11,005
Changes of Assumptions and Other Inputs	31,956,368	31,808,593	147,775
Benefit Payments	(5,397,401)	(5,370,887)	(26,514)
Net Changes	<u>20,008,714</u>	<u>19,793,291</u>	<u>215,423</u>
Other Postemployment Liability at the End of Year	<u>\$ 181,698,870</u>	<u>\$ 180,979,279</u>	<u>\$ 719,591</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 (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1% Decrease (1.74%)		Current Discount Rate (2.74%)		1% Increase (3.74%)
Town \$	211,839,729	\$	180,979,279	\$	156,401,972
Agency \$	901,357	\$	719,591	\$	582,037

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, 2019 of a 1% change in the initial (8.00%) and ultimate (5.00%) healthcare cost trend rates:

	1% Decrease (7.00% to 4.00%)		Health Care Trend Rates (8.00% to 5.00%)		1% Increase (9.00% to 6.00%)
Town \$	152,817,707	\$	180,979,279	\$	217,343,708
Agency \$	545,631	\$	719,591	\$	975,979

OPEB Expense, Deferred Inflows of Resources and Deferred Outflows of Resources

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$4,370,076, which includes the component unit OPEB expense of \$62,436.

At December 31, 2019, the Town and Agency reported deferred outflows of resources related to OPEB as shown below:

	Deferred Outflows of Resources	
	Town	Agency
Differences between expected and actual experience	\$ -0-	\$ 10,203
Changes of assumptions or other inputs	25,815,409	137,012
Total Deferred Outflows - OPEB	\$ 25,815,409	\$ 147,215

At December 31, 2019, the Town and Agency reported deferred inflows of resources related to OPEB as shown below:

	Deferred Inflows of Resources	
	Town	Agency
Differences between expected and actual experience	\$ 13,871,316	\$ -0-
Changes of assumptions or other inputs	9,745,571	53,041
Total Deferred Inflows - OPEB	\$ 23,616,887	\$ 53,041

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

	Town	Agency
For years ending December 31, 2020	\$ 835,027	\$ (5,793)
2021	835,027	(5,793)
2022	(25,224)	(5,793)
2023	(2,700,247)	(5,793)
2024	(1,143,105)	(5,793)
Thereafter	-0-	(65,209)
	\$ (2,198,522)	\$ (94,174)

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 Penflex, Inc. to assist in the administration of the Firefighter Plans. 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 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, 2019, 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	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2019
Amount of contribution recommended by actuary*:					
Minimum	\$ 396,073	\$ 93,437	\$ 510,247	\$ 326,693	\$ 91,044
Maximum	\$ 402,597	\$ 94,600	\$ 517,405	\$ 330,152	\$ 92,529
Actual contribution	\$ 396,073	\$ 93,437	\$ 510,247	\$ 326,693	\$ 91,044

*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, 2019:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Administration Fees:					
Paid to Plan Administrator by:					
Sponsor	\$ 7,622	\$ 5,012	\$ 9,288	\$ 7,064	\$ 4,886
Plan	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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, 2019, the Town contributed \$9,120, of which \$5,697 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	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2019
Inactive participants (or beneficiaries) currently receiving benefit payments	53	23	62	49	11
Inactive participants entitled to but not yet receiving benefits	78	35	128	62	9
Active participants	109	23	141	98	54
Total	240	81	331	209	74

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	12/31/2019	12/31/2019	12/31/2019	12/31/2019	12/31/2019
Actuarial valuation date	1/1/2020	1/1/2020	1/1/2020	1/1/2020	1/1/2020
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	4.31%	5.25%	4.65%	4.55%	3.26%
Long-term expected return on investments	5.25%	5.25%	5.25%	5.25%	N/A

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 3.26% 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 3.26% as of December 31, 2019 was used.

The annual money-weighted rate of return on the LOSAP investments, net of pension plan investment expense ranged from 3.32% to 6.29%. 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 3.26%. 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, 2019. 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:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
Firefighter Plans:			
East Farmingdale			
Discount Rate	3.31%	4.31%	5.31%
Net Pension Liability	\$ 4,511,878	\$ 3,258,220	\$ 2,235,837
North Amityville			
Discount Rate	4.25%	5.25%	6.25%
Net Pension Liability	\$ 778,425	\$ 456,121	\$ 192,135
North Babylon			
Discount Rate	3.65%	4.65%	5.65%
Net Pension Liability	\$ 5,617,945	\$ 4,180,737	\$ 3,023,747
North Lindenhurst			
Discount Rate	3.55%	4.55%	5.55%
Net Pension Liability	\$ 3,320,031	\$ 2,462,622	\$ 1,763,952
Wyandanch			
Discount Rate	2.26%	3.26%	4.26%
Total Pension Liability	\$ 1,530,285	\$ 1,267,676	\$ 1,058,694

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, 2019 were as follows:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Cash and cash equivalents	\$ 108,568	\$ 6,566	\$ 156,846	\$ 109,157	\$ 36,345
Guaranteed annuity contracts	2,248,412	1,496,617	2,165,114	1,563,286	
Cash value of life insurance contracts	755,080				
Equities	603,195	129,817	861,167	547,786	258,083
Fixed income	932,620	203,296	1,290,630	817,852	320,723
Mutual funds					245,614
Total Firefighter Plan assets	\$ 4,647,875	\$ 1,836,296	\$ 4,473,757	\$ 3,038,081	\$ 860,765

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, 2019 is \$323,709. 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 statutes. 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, 2019 is as follows:

	Firefighter Plans				
	East Farmingdale	North Amityville	North Babylon	North Lindenhurst	Wyandanch
Total LOSAP Plan Liabilities					
Service cost	\$ 146,833	\$ 23,816	\$ 132,718	\$ 85,989	\$ 75,596
Interest	323,923	116,480	386,378	241,855	42,622
Change in benefit terms					
Differences between expected and actual experience	94,736	11,626	50,039	114,562	(15,574)
Benefit payments, including refunds of member contributions	(253,364)	(132,530)	(355,955)	(232,081)	(30,648)
Changes of assumptions or other inputs	(45,327)		(51,615)	209,981	85,006
Net change in total LOSAP plan liability	266,801	19,392	161,565	420,306	157,002
Total LOSAP plan liability - beginning of year (a)	7,639,294	2,273,025	8,492,929	5,080,397	1,110,674
Total LOSAP plan liability - end of year (c)	7,906,095	2,292,417	8,654,494	5,500,703	1,267,676
LOSAP - Pension Trust Fund Net Position / Plan Assets					
Contributions - employer	396,073	93,437	510,247	326,693	91,044
Investment income	220,126	70,481	205,561	153,341	76,314
Change in insurance contracts value	30,203	(10,841)	16,149	21,059	28,238
Benefit payments, including refunds of member contributions	(253,855)	(132,870)	(359,244)	(232,606)	(30,947)
Administrative fees and other charges					
Net change in LOSAP fiduciary net position / plan assets	392,547	20,207	372,713	268,487	164,649
Plan fiduciary net position - beginning of year (b)	4,255,328	1,816,089	4,101,044	2,769,594	N/A
Plan fiduciary net position - end of year (d)	4,647,875	1,836,296	4,473,757	3,038,081	N/A
LOSAP plan assets - beginning of year	N/A	N/A	N/A	N/A	696,116
LOSAP plan assets - end of year	N/A	N/A	N/A	N/A	\$ 860,765
Net LOSAP plan liability - beginning of year (a) - (b)	3,383,966	456,936	4,391,885	2,310,803	N/A
Net LOSAP plan liability - end of year (c) - (d)	\$ 3,258,220	\$ 456,121	\$ 4,180,737	\$ 2,462,622	N/A

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

For the year ended December 31, 2019, the Town recognized LOSAP pension expense of \$1,204,261, related to Town sponsored Firefighter Plans and \$61,490 related to the Ambulance Plan. At December 31, 2019, 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	\$ 215,289	\$ 47,142	\$ 122,820	\$ 217,141	\$ 7,446
Differences due to return on assets	85,517	40,395	52,771	41,614	
Changes of assumptions or other inputs	613,209	41,409	219,101	295,255	90,994
Total Deferred Outflows of Resources - LOSAP	\$ 914,015	\$ 128,946	\$ 394,692	\$ 554,010	\$ 98,440

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, 2019, 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				\$ 122,026	\$ 14,507
Differences due to return on assets		\$ 3,624		4,374	
Changes of assumptions or other inputs	\$ 39,799	72,157	\$ 89,579		96,210
Total Deferred Inflows of Resources - LOSAP	\$ 39,799	\$ 75,781	\$ 89,579	\$ 126,400	\$ 110,717

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
2020	\$ 145,822	\$ 14,062	\$ 57,497	\$ 61,527	\$ (104)
2021	145,822	14,062	57,497	61,527	(104)
2022	137,791	15,874	45,605	60,978	(104)
2023	116,509	7,318	39,579	47,473	(104)
2024	115,107	1,849	36,852	48,566	(104)
Thereafter	213,165	-	68,083	147,539	(11,757)
	\$ 874,216	\$ 53,165	\$ 305,113	\$ 427,610	\$ (12,277)

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, 2019, the value of the accumulated vacation time and sick leave of the primary government was \$5,077,460.

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, 2019, the Corporation disbursed related fees of \$2,001 and the remaining funds will be disbursed in 2020. 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. During the year ended December 31, 2019, the Corporation disbursed affordable housing funds of \$58,692 and economic development funds of \$58,692. 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, 2019, the Town's property tax revenues were reduced by \$4,783,236 and payments in lieu of taxes, including recapture payments, were collected in the amount of \$2,691,078 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, 2018, 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, 2019, the Town's property tax revenues were reduced by \$152,819 and payments in lieu of taxes were billed in the amount of \$101,929 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, 2018, 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 \$6,510,296. 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	
	2019	2018	2019	2018
Beginning balances of claims liabilities at January 1	\$ 6,439,306	\$ 6,633,672	\$ 1,434,980	\$ 1,024,064
Claims incurred	911,250	433,750	-0-	-0-
Claims payments	(117,171)	(174,978)	(294,015)	(261,564)
Change to prior year estimates	(723,089)	(453,138)	68,328	672,480
Ending balance of claims liabilities at December 31	<u>\$ 6,510,296</u>	<u>\$ 6,439,306</u>	<u>\$ 1,209,293</u>	<u>\$ 1,434,980</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 \$32,634,089 at December 31, 2019, 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 76.27% of the estimated capacity of the southern ash landfill. The Town will recognize the remaining estimated cost of closure and postclosure care of \$4,756,688 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 2019 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 2021 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, 2019, these commitments, reported in the capital projects fund amounted to \$3,709,366.

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, 2019, 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 2035, 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.

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 31% of revenues Covanta receives from the sale of electricity to Public Service Enterprise Group.

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, 2019 are as follows:

Years Ending December 31, 2020	\$ 994,047
2020	983,514
2021	967,938
2022	591,603
2023	397,265
Thereafter	<u>4,105,964</u>
	<u>\$ 8,040,331</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, 2019 approximated \$299,000. The maximum future non-cancelable operating lease payments are as follows:

Years Ending December 31, 2020	\$ 229,214
2021	150,389
2022	61,805
2023	20,280
2024	7,290
	<u>\$ 468,978</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 \$5,417,655, 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, 2019, the Town reported a deferred inflow of resources in the amount of \$2,312,500 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 \$178,233 of management fees to SCWA during the year ended December 31, 2019. 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, 2019:

	December 31, 2019	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
Cash and cash equivalents	\$ 417,483	\$ 417,483	\$ -0-	\$ -0-
Equities	2,400,048	2,400,048	-0-	-0-
Fixed income	3,565,121	-0-	3,565,121	-0-
Mutual funds	245,614	245,614	-0-	-0-
External investment pool	323,709	323,709	-0-	-0-
Total investments by fair value	\$ 6,951,975	\$ 3,386,854	\$ 3,565,121	\$ -0-
<i>Investments measured at amortized cost / cash surrender value</i>				
Guaranteed annuity contracts	\$ 7,473,429			
Cash value of life insurance	755,080			
Total investments by amortized cost/ cash surrender value	\$ 8,228,509			
Total LOSAP investments	\$ 15,180,484			

6. SUBSEQUENT EVENTS

Bond Issuances

In August 2020, the Town issued general obligation bonds in the amount of \$16,730,000. Bond proceeds will be used to finance equipment purchases and various improvements throughout the Town. These obligation bonds will mature on August 1, 2035 and bear interest rates ranging from 1.4%-4%.

Economic Conditions

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public-Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic based on the rapid increase in exposure globally. New York City and surrounding areas were particularly hard hit by the coronavirus. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, forced closure for certain types of public places and businesses. The coronavirus and actions taken globally and especially in New York State to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area the Town operates. While it is unknown how long these conditions will last and what the complete financial impact be to the Town, the Town is expecting it to negatively impact its revenues and expenditures.

The full impact of the coronavirus outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Town’s future operations and results of its operations. As of the date of this report, the Town is unable to estimate the effects of the coronavirus outbreak on the results of its operations for fiscal year 2020.

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*”, as amended by Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*”, establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimated of the current value of expected outlays. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

7. NEW PRONOUNCEMENTS (continued)

Statement No. 84, "*Fiduciary Activities*," as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", 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 of equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, "*Leases*," as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", 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, 2021.

Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*," as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", 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, 2019.

Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*," as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", 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, 2020.

Statement No. 90, "*Majority Equity Interests – an Amendment of GASB Statements No. 14 and 61*" as amended by Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*", 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.

TOWN OF BABYLON
NOTES TO FINANCIAL STATEMENTS

7. NEW PRONOUNCEMENTS (continued)

Statement No. 91, *Conduit Debt Obligations*, as amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, as amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued to enhance comparability in accounting and financial reporting and consistency of authoritative language on various topics. The requirements of this Statement are effective for reporting periods as follows: paragraphs 4,5,6,7,8,9,10,and 12 effective years beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, as amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, amends certain provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (as amended) and 87, *Leases*. It has been issued to address the various accounting and reporting implications that will result from the replacement of LIBOR, as LIBOR will cease to exist in 2021. The requirements of this Statement, except for paragraph 11b, 13 and 14, are effective for reporting periods beginning after June 15, 2020. The requirement of paragraph 11b is effective for reporting periods ending after December 31, 2021 and paragraphs 13 and 14 are effective for years beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, this Statement has been issued to improve financial reporting related to public-private and public-public partnership arrangements, in which one a government (transferor) contracts with an operator (governmental or nongovernmental entity) to provide public services by conveying the right to operate or use a nonfinancial assets. The requirements of this Statement are effective for years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, this Statement has been issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for years beginning after June 15, 2022.

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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 36,924,187	\$ 36,924,187	\$ 36,924,187	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	850,000	850,000	981,418	131,418
Interest and penalties on real property taxes	275,000	275,000	247,497	(27,503)
Total Other Real Property Tax Items	1,125,000	1,125,000	1,228,915	103,915
NON-PROPERTY TAX ITEMS				
Franchise fees	3,300,000	3,300,000	3,497,658	197,658
Other non-property tax items	1,000,000	1,000,000	1,549,026	549,026
Total Non-Property Tax Items	4,300,000	4,300,000	5,046,684	746,684
DEPARTMENTAL INCOME				
Assessor's fees	15,000	15,000		(15,000)
Town Clerk's fees	450,000	450,000	828,126	378,126
Public health fees	600,000	600,000	752,819	152,819
Public pound fees and dog control service	40,000	40,000	47,135	7,135
Wyandanch program fees	75,000	75,000	84,274	9,274
Parking permits			66,315	66,315
Park and recreation charges and fees	2,350,000	2,350,000	2,578,162	228,162
Total Departmental Income	3,530,000	3,530,000	4,356,831	826,831
USE OF MONEY AND PROPERTY				
Interest and earnings	250,000	250,000	683,599	433,599
Rental of real property	2,750,000	2,750,000	3,346,541	596,541
Total Use of Money and Property	3,000,000	3,000,000	4,030,140	1,030,140
LICENSES AND PERMITS				
Bingo licenses	10,000	10,000	9,403	(597)
Dog licenses	12,000	12,000	10,716	(1,284)
Plumbing permits	45,000	45,000	57,220	12,220
Impact fees	100,000	100,000	100,000	-0-
Permits - other	55,000	55,000	66,650	11,650
Total Licenses and Permits	222,000	222,000	243,989	21,989
FINES AND FORFEITURES				
Fines and forfeited bail	1,100,000	1,100,000	1,080,765	(19,235)
Forfeitures of deposits	20,000	20,000	15,700	(4,300)
Total Fines and Forfeitures	1,120,000	1,120,000	1,096,465	(23,535)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of scrap and excess materials	5,000	5,000	2,168	(2,832)
Sale of real property			4,320	4,320
Sale of equipment	150,000	150,000	319,964	169,964
Insurance recoveries	5,000	5,000	48,779	43,779
Total Sale of Property and Compensation for Loss	160,000	160,000	375,231	215,231
INTERFUND REVENUE				
Interfund revenue	100,000	100,000	162,918	62,918
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations	100,000	100,000	110,972	10,972
Refunds of prior years' expenditures	30,000	30,000	13,066	(16,934)
Grants from local governments	10,000	10,000	8,845	(1,155)
Miscellaneous local sources	15,000	15,000	37,925	22,925
Narcotics guidance counsel - local aid	75,000	75,000	83,696	8,696
Youth Project safe - local aid	16,383	16,383	16,383	-0-
Youth programs - local aid	285,650	285,650	280,293	(5,357)
Residential repair - local aid	2,400	2,400	2,411	11
Wyandanch nutrition program - local aid	20,000	20,000	35,234	15,234
Other miscellaneous revenue	25,000	25,000	43,127	18,127
Total Miscellaneous Local Sources	579,433	579,433	631,952	52,519

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES (continued)				
STATE AID				
Mortgage tax	4,000,000	4,000,000	5,886,353	1,886,353
Youth programs	140,000	140,000	142,140	2,140
Youth project S.A.F.E.	18,279	18,279	18,279	-0-
Therapeutic recreation and senior day training program	57,535	57,535	57,216	(319)
State grants - other			3,867	3,867
Total State Aid	<u>4,215,814</u>	<u>4,215,814</u>	<u>6,107,855</u>	<u>1,892,041</u>
FEDERAL AID				
Narcotics guidance counsel	325,000	325,000	356,808	31,808
Residential repair	20,000	20,000	21,700	1,700
Wyandanch nutrition program	210,000	210,000	226,719	16,719
Total Federal Aid	<u>555,000</u>	<u>555,000</u>	<u>605,227</u>	<u>50,227</u>
Total Revenues	<u>55,831,434</u>	<u>55,831,434</u>	<u>60,810,394</u>	<u>4,978,960</u>
EXPENDITURES				
GENERAL GOVERNMENT SUPPORT				
Town Board	605,289	575,714	568,798	6,916
Municipal court	81,940	44,434	44,274	160
Traffic violations bureau	155,663	132,122	127,375	4,747
Town Supervisor	1,060,548	1,069,776	1,048,341	21,435
Comptroller	950,344	900,042	886,901	13,141
Auditor	217,000	217,000	204,931	12,069
Receiver of taxes	762,259	790,422	754,962	35,460
Purchasing	365,905	388,947	388,203	744
Assessor	1,484,771	1,357,857	1,342,135	15,722
Town Clerk	631,897	648,018	635,679	12,339
Town Attorney	1,572,298	1,795,917	1,772,931	22,986
Personnel	283,249	326,447	326,108	339
Engineering	400,050	297,538	293,353	4,185
Board of ethics	1,500	2,340	1,840	500
Records management	106,996	100,481	100,156	325
Public works administration	265,047	265,047	251,438	13,609
Buildings	3,625,029	3,616,532	3,531,831	84,701
Central garage and central fuel facility	1,671,637	1,670,786	1,305,514	365,272
Central printing and mailing	645,123	645,250	586,147	59,103
Central data processing	1,270,751	1,149,545	1,067,026	82,519
Unallocated insurance	1,100,000	1,100,000	475,071	624,929
Municipal association dues	2,000	2,000	1,950	50
Taxes and assessments on municipal property	5,000	5,000	492	4,508
Contingencies - contractual and other	300,000			-0-
Other general government support	75,000	67,940	43,375	24,565
Total General Government Support	<u>17,639,296</u>	<u>17,169,155</u>	<u>15,758,831</u>	<u>1,410,324</u>
PUBLIC SAFETY				
Traffic control	767,955	787,790	751,263	36,527
Control of animals	1,117,535	1,371,197	1,368,356	2,841
Examining boards	32,500	32,500	31,538	962
Civil defense	10,000	10,037	10,037	-0-
Total Public Safety	<u>1,927,990</u>	<u>2,201,524</u>	<u>2,161,194</u>	<u>40,330</u>
HEALTH				
Narcotics addiction control	1,206,250	1,206,249	1,150,549	55,700
Therapeutic recreation program	221,500	222,910	222,910	-0-
Nutrition program	731,989	783,751	696,597	87,154
Youth Institute CCS	828,000	808,148	808,148	-0-
Other public health	345,111	343,701	334,308	9,393
Total Health	<u>3,332,850</u>	<u>3,364,759</u>	<u>3,212,512</u>	<u>152,247</u>

(continued)

TOWN OF BABYLON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (continued)				
TRANSPORTATION				
Off-street parking		342	342	-0-
ECONOMIC ASSISTANCE AND OPPORTUNITY				
Promotion of industry	53,428	53,428	50,264	3,164
Veterans' services	5,000	4,658	4,501	157
Programs for the aging	46,761	46,761	28,489	18,272
Total Economic Assistance and Opportunity	105,189	104,847	83,254	21,593
CULTURE AND RECREATION				
Council on the arts	10,000	10,000	10,000	-0-
Parks and recreation administration	1,127,916	1,321,161	1,319,773	1,388
Parks	5,305,133	5,288,139	5,265,474	22,665
Playground and recreation centers	591,000	488,507	488,507	-0-
Special recreation facilities	2,352,100	2,355,859	2,352,789	3,070
Youth programs	732,453	771,445	771,445	-0-
Town historian	105,288	85,611	83,574	2,037
Adult recreation	906,566	1,003,963	938,454	65,509
Total Culture and Recreation	11,130,456	11,324,685	11,230,016	94,669
HOME AND COMMUNITY SERVICES				
Environmental control	1,349,601	1,222,686	1,201,711	20,975
Other home and community services	350,000	350,000	258,813	91,187
Total Home and Community Services	1,699,601	1,572,686	1,460,524	112,162
EMPLOYEE BENEFITS				
Retirement system	2,562,009	2,562,009	2,546,412	15,597
Social security	1,664,805	1,711,264	1,711,264	-0-
Workers' compensation	618,427	537,801	519,270	18,531
Life insurance	21,690	21,690	19,857	1,833
Unemployment benefits	75,000	75,000	49,459	25,541
Disability benefits	25,000	25,000	20,997	4,003
Hospital, medical, vision and dental	7,160,225	7,165,958	6,871,727	294,231
Other employee benefits	468,124	468,124	467,741	383
Total Employee Benefits	12,595,280	12,566,846	12,206,727	360,119
DEBT SERVICE				
Principal	6,675,158	6,675,158	6,661,233	13,925
Interest	2,791,213	2,909,466	2,909,466	-0-
Bond issuance costs	110,000	110,000	30,650	79,350
Total Debt Service	9,576,371	9,694,624	9,601,349	93,275
Total Expenditures	58,007,033	57,999,468	55,714,749	2,284,719
Excess of Revenues Over Expenditures	(2,175,599)	(2,168,034)	5,095,645	7,263,679
OTHER FINANCING SOURCES (USES)				
Premium on obligations	100,000	100,000	168,975	68,975
Operating transfers in			1,099,990	1,099,990
Operating transfers out	(2,500,000)	(2,504,500)	(2,504,500)	-0-
Total Other Financing Sources (Uses)	(2,400,000)	(2,404,500)	(1,235,535)	1,168,965
Net Change in Fund Balance	\$ (4,575,599)	\$ (4,572,534)	3,860,110	\$ 8,432,644
Fund Balance at Beginning of Year			54,060,867	
Fund Balance at End of Year			\$ 57,920,977	

TOWN OF BABYLON
RESIDENTIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 15,425,735	\$ 15,425,735	\$ 15,425,735	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	4,880,571	4,880,571	4,300,195	(580,376)
Long Island Green Homes	1,350,000	1,350,000	1,463,012	113,012
Total Departmental Income	<u>6,230,571</u>	<u>6,230,571</u>	<u>5,763,207</u>	<u>(467,364)</u>
USE OF MONEY AND PROPERTY				
Interest earnings	325,000	325,000	407,683	82,683
Total Use of Money and Property	<u>325,000</u>	<u>325,000</u>	<u>407,683</u>	<u>82,683</u>
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			3,227,434	3,227,434
Total Revenues	<u>21,981,306</u>	<u>21,981,306</u>	<u>24,824,059</u>	<u>2,842,753</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	20,731,362	20,203,852	18,845,103	1,358,749
Landfill closure/postclosure costs	110,188	103,260	70,012	33,248
Long Island Green Homes program	500,000	1,017,719	1,017,719	-0-
Unallocated insurance	75,000	75,000	23,668	51,332
Total Home and Community Services	<u>21,416,550</u>	<u>21,399,831</u>	<u>19,956,502</u>	<u>1,443,329</u>
EMPLOYEE BENEFITS				
Retirement system	125,942	129,707	129,707	-0-
Social security	78,707	82,866	82,866	-0-
Workers' compensation	76,139	76,139	65,351	10,788
Life insurance	883	883	827	56
Unemployment benefits	1,000	1,000		1,000
Disability benefits	1,200	1,200	1,076	124
Hospital, medical, vision and dental	236,584	236,853	226,801	10,052
Union welfare benefits	25,499	27,097	27,097	-0-
Total Employee Benefits	<u>545,954</u>	<u>555,745</u>	<u>533,725</u>	<u>22,020</u>
DEBT SERVICE				
Principal	105,497	105,497	83,317	22,180
Interest	44,157	44,157	39,335	4,822
Bond issuance costs	2,500	2,500		2,500
Total Debt Service	<u>152,154</u>	<u>152,154</u>	<u>122,652</u>	<u>29,502</u>
Total Expenditures	<u>22,114,658</u>	<u>22,107,730</u>	<u>20,612,879</u>	<u>1,494,851</u>
Deficiency of Revenues Under Expenditures	<u>(133,352)</u>	<u>(126,424)</u>	<u>4,211,180</u>	<u>4,337,604</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in			42,871	42,871
Operating transfers out	(2,221,688)	(2,221,688)	(2,221,688)	-0-
Total Other Financing Sources (Uses)	<u>(2,221,688)</u>	<u>(2,221,688)</u>	<u>(2,178,817)</u>	<u>42,871</u>
Net Change in Fund Balance	<u>\$ (2,355,040)</u>	<u>\$ (2,348,112)</u>	<u>2,032,363</u>	<u>\$ 4,380,475</u>
Fund Balance at Beginning of Year			<u>8,918,641</u>	
Fund at Balance End of Year			<u>\$ 10,951,004</u>	

TOWN OF BABYLON
COMMERCIAL GARBAGE DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 5,783,435	\$ 5,783,435	\$ 5,783,435	\$ -0-
DEPARTMENTAL INCOME				
Refuse and garbage fees	13,155,833	13,155,833	12,058,002	(1,097,831)
USE OF MONEY AND PROPERTY				
Interest earnings	125,000	125,000	305,637	180,637
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of refuse containers			26,000	26,000
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenues			2,464,705	2,464,705
	-0-	-0-	2,464,705	2,464,705
Total Revenues	<u>19,064,268</u>	<u>19,064,268</u>	<u>20,637,779</u>	<u>1,573,511</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	13,087,024	13,044,588	12,093,262	951,326
Landfill closure/postclosure costs	104,160	104,160	44,455	59,705
Unallocated insurance	80,000	80,000	17,373	62,627
Total Home and Community Services	<u>13,271,184</u>	<u>13,228,748</u>	<u>12,155,090</u>	<u>1,073,658</u>
EMPLOYEE BENEFITS				
Retirement system	128,544	128,544	117,125	11,419
Social security	76,460	83,484	83,484	-0-
Workers' compensation	78,435	78,435	76,979	1,456
Life insurance	278	338	338	-0-
Unemployment benefits	1,000	1,000		1,000
Disability benefits	1,600	1,600	1,600	-0-
Hospital, medical, vision and dental	182,232	214,328	214,328	-0-
Union welfare benefits	9,270	12,526	12,526	-0-
Total Employee Benefits	<u>477,819</u>	<u>520,255</u>	<u>506,380</u>	<u>13,875</u>
DEBT SERVICE				
Principal	105,497	105,497	65,650	39,847
Interest	34,096	34,096	26,226	7,870
Total Debt Service	<u>139,593</u>	<u>139,593</u>	<u>91,876</u>	<u>47,717</u>
Total Expenditures	<u>13,888,596</u>	<u>13,888,596</u>	<u>12,753,346</u>	<u>1,135,250</u>
Excess of Revenues Over Expenditures	<u>5,175,672</u>	<u>5,175,672</u>	<u>7,884,433</u>	<u>2,708,761</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in			50,327	50,327
Operating transfers out	(5,201,484)	(5,201,484)	(5,201,484)	-0-
Total Other Financing Sources (Uses)	<u>(5,201,484)</u>	<u>(5,201,484)</u>	<u>(5,151,157)</u>	<u>50,327</u>
Net Change in Fund Balance	<u>\$ (25,812)</u>	<u>\$ (25,812)</u>	<u>2,733,276</u>	<u>\$ 2,759,088</u>
Fund Balance at Beginning of Year			<u>25,212,163</u>	
Fund at Balance End of Year			<u>\$ 27,945,439</u>	

TOWN OF BABYLON
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 22,047,198	\$ 22,047,198	\$ 22,047,198	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	650,000	650,000	753,564	103,564
USE OF MONEY AND PROPERTY				
Interest earnings	75,000	75,000	244,095	169,095
LICENSES AND PERMITS				
Street inspection fees	125,000	125,000	134,821	9,821
Other permits	20,000	20,000	16,281	(3,719)
Total Licenses and Permits	145,000	145,000	151,102	6,102
MISCELLANEOUS LOCAL SOURCES				
Refund of prior years' expenditures			379	379
Other miscellaneous revenue			1,285	1,285
Total Miscellaneous Local Sources	-0-	-0-	1,664	1,664
STATE AID				
Consolidated local street and highway improvement program PAVE-NY program	1,200,000	1,200,000	997,796	(202,204)
		288,892	491,096	202,204
Total State Aid	1,200,000	1,488,892	1,488,892	-0-
Total Revenues	24,117,198	24,406,090	24,686,515	280,425
EXPENDITURES				
TRANSPORTATION				
Street administration	662,491	594,491	561,626	32,865
Maintenance of streets	4,408,063	4,533,215	4,302,416	230,799
Permanent improvements	1,310,000	1,598,892	1,572,001	26,891
Machinery	1,287,529	1,302,529	1,252,975	49,554
Brush and weeds	-0-	300,000	267,642	32,358
Snow removal	1,675,000	1,452,848	604,292	848,556
Unallocated insurance	75,000	75,000	33,119	41,881
Total Transportation	9,418,083	9,856,975	8,594,071	1,262,904
EMPLOYEE BENEFITS				
Retirement system	725,390	725,390	723,505	1,885
Social security	489,904	489,904	456,765	33,139
Workers' compensation	947,932	947,932	859,073	88,859
Life insurance	629	629	462	167
Unemployment benefits	25,000	25,000	14,256	10,744
Disability benefits	1,000	1,000	755	245
Hospital, medical, vision and dental	2,577,249	2,425,482	2,231,311	194,171
Union welfare benefits	121,787	121,787	117,227	4,560
Total Employee Benefits	4,888,891	4,737,124	4,403,354	333,770
DEBT SERVICE				
Principal	7,528,780	7,528,780	7,465,122	63,658
Interest	2,268,171	2,268,171	2,192,565	75,606
Bond issuance costs	60,000	61,767	61,767	-0-
Total Debt Service	9,856,951	9,858,718	9,719,454	139,264
Total Expenditures	24,163,925	24,452,817	22,716,879	1,735,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,727)	(46,727)	1,969,636	2,016,363
OTHER FINANCING SOURCES				
Premium on obligations			428,473	428,473
Operating transfers in			72,160	72,160
Total Other Financing Sources	-0-	-0-	500,633	500,633
Net Change in Fund Balance	\$ (46,727)	\$ (46,727)	2,470,269	\$ 2,516,996
Fund Balance at Beginning of Year			10,959,941	
Fund Balance at End of Year			\$ 13,430,210	

TOWN OF BABYLON
SPECIAL DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
REAL PROPERTY TAXES				
Special assessments	\$ 17,883,805	\$ 17,883,805	\$ 17,883,805	\$ -0-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	597,628	597,628	711,536	113,908
USE OF MONEY AND PROPERTY				
Interest earnings	20,000	20,000	40,722	20,722
Investment income - Length of service award programs			162,619	162,619
Total Use of Money and Property	20,000	20,000	203,341	183,341
MISCELLANEOUS LOCAL SOURCES				
Other miscellaneous revenue			5,630	5,630
Total Revenues	<u>18,501,433</u>	<u>18,501,433</u>	<u>18,804,312</u>	<u>302,879</u>
EXPENDITURES				
PUBLIC SAFETY				
Fire protection districts	16,671,802	17,013,187	16,884,153	129,034
HEALTH				
Ambulance districts	1,829,631	1,829,631	1,817,603	12,028
Total Expenditures	<u>18,501,433</u>	<u>18,842,818</u>	<u>18,701,756</u>	<u>141,062</u>
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ (341,385)</u>	102,556	<u>\$ 443,941</u>
Fund Balance at Beginning of Year			3,840,537	
Fund Balance at End of Year			<u>\$ 3,943,093</u>	

TOWN OF BABYLON
SCHEDULE OF CHANGES IN TOTAL OTHER
POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIO
 Year Ended December 31, 2019

	2019			2018		
	Total	Town	Agency	Total	Town	Agency
Total OPEB Liability						
Other Postemployment Liability at the Beginning of the Year, as reported	\$ 161,690,156	\$ 161,185,988	\$ 504,168	\$ 70,423,188	\$ 69,805,189	\$ 617,999
Cumulative Effect of Implementation of GASB #75	-0-			101,822,521	101,940,510	(117,989)
Other Postemployment Liability at the Beginning of Year, as restated	-0-			172,245,709	171,745,699	500,010
Changes for the Year:						
Service Cost	4,605,513	4,544,190	61,323	5,693,554	5,631,629	61,925
Interest	5,988,861	5,967,027	21,834	6,031,219	6,012,098	19,121
Differences between expected and actual experience	(17,144,627)	(17,155,632)	11,005	-0-		
Changes of assumptions and other inputs	31,956,368	31,808,593	147,775	(17,009,492)	(16,944,907)	(64,585)
Benefit Payments	(5,397,401)	(5,370,887)	(26,514)	(5,270,834)	(5,258,531)	(12,303)
Net Changes	20,008,714	19,793,291	215,423	(10,555,553)	(10,559,711)	4,158
Other Postemployment Liability at the End of Year	\$181,698,870	\$ 180,979,279	\$ 719,591	\$ 161,690,156	\$ 161,185,988	\$ 504,168
Covered employee payroll	\$ 29,089,017			\$ 27,177,083		
Total OPEB Liability, as a percentage of covered payroll	624.63%			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:

2019	2.74%
2018	4.10%
2017	4.00%

Changes in Health Care Trend Rates

The non-Medicare eligible health care cost trend was reset to 8.0% in 2019, grading down 0.5% annum to an ultimate trend rate of 5.0% in years 2025 and later.

Change in Demographic Assumptions

The demographic (mortality, retirement, disability, and other termination of employment) assumptions were updated to the rates developed in the report, "Development of Recommended Actuarial Assumptions" for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated September 2016. The impact of the Total OPEB Liability is shown above.

TOWN OF BABYLON
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - EMPLOYEE RETIREMENT SYSTEM
December 31, 2019

	2019	2018	2017	2016	2015	2014
Town's proportion of the collective net pension liability	0.0794597%	0.0803200%	0.0797627%	0.0840236%	0.0809617%	0.0809617%
Town's proportionate share of the net collective pension liability	\$ 5,629,960	\$ 2,592,297	\$ 7,494,679	\$ 13,486,025	\$ 2,735,085	\$ 3,658,547
Town's covered-employee payroll	\$28,123,852	\$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	20.02%	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	96.27%	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, 2019

	NYSERS									
	Years Ended December 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,897,571	\$ 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
Contributions in relation to the contractually required contribution	\$ 3,897,571	\$ 3,834,065	\$ 3,793,997	\$ 3,913,352	\$ 4,531,827	\$ 4,685,568	\$ 4,986,312	\$ 2,452,354	\$ 2,303,832	\$ 2,164,576
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,717,661	\$ 697,575	\$ 329,715
Town's covered-employee payroll	\$ 29,825,382	\$ 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
Contributions as a percentage of covered-employee payroll	13.07%	13.86%	14.20%	14.70%	17.61%	18.96%	20.69%	10.25%	9.83%	8.68%

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.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2018 actuarial valuation from the Scale MP-2014 to Scale MP-2018.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2019

	East Farmingdale Firefighter Plan		
	Years Ended December 31,		
	2019	2018	2017
Total LOSAP Plan Liabilities			
Service cost	\$ 146,833	\$ 155,475	\$ 109,504
Interest	323,923	282,336	316,990
Differences between expected and actual experience	94,736	115,449	59,751
Benefit payments, including refunds of member contributions	(253,364)	(168,212)	(157,769)
Changes of assumptions or other inputs	(45,327)	635,792	173,186
Net change in total LOSAP plan liability	266,801	1,020,840	501,662
Total LOSAP plan liability - beginning of year (a)	7,639,294	6,618,454	6,116,792
Total LOSAP plan liability - end of year (c)	7,906,095	7,639,294	6,618,454
LOSAP - Pension Trust Fund Net Position			
Contributions - Employer	396,073	253,750	106,000
Investment income	220,126	106,632	106,073
Change in insurance contracts value	30,203	42,930	41,796
Benefit payments, including refunds of member contributions	(253,855)	(168,212)	(157,769)
Net Change in LOSAP fiduciary net position	392,547	235,100	96,100
Plan fiduciary net position - beginning of year, (b)	4,255,328	4,020,228	3,924,128
Plan fiduciary net position - end of year (d)	4,647,875	4,255,328	4,020,228
Net LOSAP plan liability - beginning of year (a) - (b)	3,383,966	2,598,226	2,192,664
Net LOSAP plan liability - end of year (c) - (d)	\$ 3,258,220	\$ 3,383,966	\$ 2,598,226
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	58.8%	55.7%	60.7%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Expected average remaining service years of all participants	8	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. This discount rate was increased to 4.31% for the December 31, 2019 valuation.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2019

	North Amityville Firefighter Plan Years Ended December 31,		
	2019	2018	2017
Total LOSAP Plan Liabilities			
Service cost	\$ 23,816	\$ 25,921	\$ 32,673
Interest	116,480	120,276	112,893
Differences between expected and actual experience	11,626	23,220	39,883
Benefit payments, including refunds of member contributions	(132,530)	(130,487)	(128,573)
Changes of assumptions or other inputs		(109,161)	71,757
	19,392	(70,231)	128,633
Net change in total LOSAP plan liability			
Total LOSAP plan liability - beginning of year (a)	2,273,025	2,343,256	2,214,623
Total LOSAP plan liability - end of year (c)	2,292,417	2,273,025	2,343,256
LOSAP - Pension Trust Fund Net Position			
Contributions - Employer	93,437	59,200	112,450
Investment income	70,481	57,075	55,559
Change in insurance contracts value	(10,841)	27,367	49,028
Benefit payments, including refunds of member contributions	(132,870)	(130,487)	(128,573)
	20,207	13,155	88,464
Net Change in LOSAP fiduciary net position			
Plan fiduciary net position - beginning of year, restated (b)	1,816,089	1,802,934	1,714,470
Plan fiduciary net position - end of year (d)	1,836,296	1,816,089	1,802,934
Net LOSAP plan liability - beginning of year (a) - (b)	456,936	540,322	500,153
Net LOSAP plan liability - end of year (c) - (d)	\$ 456,121	\$ 456,936	\$ 540,322
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	80.1%	79.9%	76.9%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Expected average remaining service years of all participants	8	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 December 31, 2018 the plan liabilities were based on the RP 2014 - no projection mortality tables and a 2.25% inflation rate. There were no changes for December 31, 2019.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2019

	North Babylon Firefighter Plan Years Ended December 31,		
	2019	2018	2017
Total LOSAP Plan Liabilities			
Service cost	\$ 132,718	\$ 145,303	\$ 119,912
Interest	386,378	379,907	378,287
Differences between expected and actual experience	50,039	19,824	94,643
Benefit payments, including refunds of member contributions	(355,955)	(318,481)	(265,615)
Changes of assumptions or other inputs	(51,615)	(61,148)	316,856
Net change in total LOSAP plan liability	161,565	165,405	644,083
Total LOSAP plan liability - beginning of year (a)	8,492,929	8,327,524	7,683,441
Total LOSAP plan liability - end of year (c)	8,654,494	8,492,929	8,327,524
LOSAP - Pension Trust Fund Net Position			
Contributions - Employer	510,247	363,700	358,000
Investment income	205,561	101,949	96,060
Change in insurance contracts value	16,149	81,848	38,281
Benefit payments, including refunds of member contributions	(359,244)	(318,481)	(265,615)
Net Change in LOSAP fiduciary net position	372,713	229,016	226,726
Plan fiduciary net position - beginning of year, restated (b)	4,101,044	3,872,028	3,645,302
Plan fiduciary net position - end of year (d)	4,473,757	4,101,044	3,872,028
Net LOSAP plan liability - beginning of year (a) - (b)	4,391,885	4,455,496	4,038,139
Net LOSAP plan liability - end of year (c) - (d)	\$ 4,180,737	\$ 4,391,885	\$ 4,455,496
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	51.7%	48.3%	46.5%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Expected average remaining service years of all participants	7	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 and increased to 4.65 for the December 31, 2019 valuation.

TOWN OF BABYLON
SCHEDULE OF CHANGES IN THE LENGTH OF SERVICE AWARD PROGRAMS' NET PENSION LIABILITY
Year Ended December 31, 2019

	North Lindenhurst Firefighter Plan Years Ended December 31,		
	2019	2018	2017
Total LOSAP Plan Liabilities			
Service cost	\$ 85,989	\$ 89,135	\$ 83,593
Interest	241,855	229,550	235,903
Differences between expected and actual experience	114,562	148,896	(168,767)
Benefit payments, including refunds of member contributions	(232,081)	(200,562)	(166,225)
Changes of assumptions or other inputs	209,981	5,067	142,193
Net change in total LOSAP plan liability	420,306	272,086	126,697
Total LOSAP plan liability - beginning of year (a)	5,080,397	4,808,311	4,681,614
Total LOSAP plan liability - end of year (c)	5,500,703	5,080,397	4,808,311
LOSAP - Pension Trust Fund Net Position			
Contributions - Employer	326,693	192,600	203,000
Investment income	153,341	71,390	68,976
Change in insurance contracts value	21,059	51,543	59,917
Benefit payments, including refunds of member contributions	(232,606)	(200,562)	(166,225)
Net Change in LOSAP fiduciary net position	268,487	114,971	165,668
Plan fiduciary net position - beginning of year, restated (b)	2,769,594	2,654,623	2,488,955
Plan fiduciary net position - end of year (d)	3,038,081	2,769,594	2,654,623
Net LOSAP plan liability - beginning of year (a) - (b)	2,310,803	2,153,688	2,192,659
Net LOSAP plan liability - end of year (c) - (d)	\$ 2,462,622	\$ 2,310,803	\$ 2,153,688
LOSAP Plan Fiduciary net position as a percentage of the total pension liability	55.2%	54.5%	55.2%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Expected average remaining service years of all participants	10	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. This discount rate was decreased to 4.55% for the December 31, 2019 valuation.

TOWN OF BABYLON
SCHEDULE OF LENGTH OF SERVICE AWARD PROGRAMS PENSION CONTRIBUTIONS AND INVESTMENT RETURNS
Year Ended December 31, 2019

	Firefighter Plans as of December 31,											
	East Farmingdale			North Amityville			North Babylon			North Lindenhurst		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Actuarially determined contribution	\$ 396,073	\$ 292,721	\$ 275,945	\$ 93,437	\$ 53,548	\$ 70,398	\$ 510,247	\$ 382,553	\$ 397,918	\$ 326,693	\$ 240,706	\$ 223,886
Contributions in relation to the actuarially determined contribution	\$ 396,073	\$ 253,750	\$ 106,000	\$ 93,437	\$ 59,200	\$ 112,450	\$ 510,247	\$ 363,700	\$ 358,000	\$ 326,693	\$ 192,600	\$ 203,000
Contribution deficiency (excess)	\$ -0-	\$ 38,971	\$ 169,945	\$ -0-	\$ (5,652)	\$ (42,052)	\$ -0-	\$ 18,853	\$ 39,918	\$ -0-	\$ 48,106	\$ 20,886
Covered-employee payroll	N/A	N/A	N/A	N/A	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	5.23%	2.29%	4.22%	3.32%	3.87%	5.78%	5.39%	3.21%	3.64%	6.29%	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, 2019, 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, 2019

	Firefighter Plan - Wyandanch Year Ended December 31,		
	2019	2018	2017
Total LOSAP Pension Liability			
Service cost	\$ 75,596	\$ 78,513	\$ 71,488
Interest	42,622	37,737	39,459
Differences between expected and actual experience	(15,574)	8,591	
Benefit payments, including refunds of member contributions	(30,648)	(37,688)	(40,493)
Changes of assumptions or other inputs	85,006	(111,012)	17,715
Net Change in total LOSAP Pension Liability	157,002	(23,859)	88,169
Total LOSAP Pension Liability - beginning of year	1,110,674	1,134,533	1,046,364
Total LOSAP Pension Liability - end of year	<u>\$ 1,267,676</u>	<u>\$ 1,110,674</u>	<u>\$ 1,134,533</u>
Covered-employee payroll	N/A	N/A	N/A
LOSAP Pension Liability as a percentage of the covered-employee payroll	N/A	N/A	N/A
Expected average remaining service years of all participants	15	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:

- a) 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.
- b) The discount rate for the Wyandanch plan as of December 31, 2018 was 3.64% and was lowered to 3.26% for the December 31, 2019 valuation.