

TOWN OF ISLIP

FINANCIAL STATEMENTS

Year Ended December 31, 2012

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FINANCIAL STATEMENTS
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**FINANCIAL
SECTION**



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Islip, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Islip's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Islip Foreign Trade Zone Authority, the Islip Resource Recovery Agency, the Town of Islip Community Development Agency and Islip's Housing Development Fund Company, Inc., which represent 97.13 percent, 92.67 percent, and 98.69 percent, respectively, of the assets, net position, and revenues of the business-type activities and 100% of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Islip Foreign Trade Zone Authority, the Islip Resource Recovery Agency, the Town of Islip Community Development Agency and Islip's Housing Development Fund Company, Inc., is based solely on the report of the other auditors. 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of Islip'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 of Islip'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.

PERSONAL SERVICE. TRUSTED ADVICE.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Islip, New York, as of December 31, 2012, and the respective changes in financial and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, scheduling of funding progress for other postemployment benefits and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Islip, New York's basic financial statements as a whole. The combining nonmajor fund financial statements and the schedules of revenues, expenditures and changes in fund balance – budget and actual – nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules of revenues, expenditures and changes in fund balance – budget and actual – nonmajor governmental funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2013, on our consideration of the Town of Islip'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Islip's internal control over financial reporting and compliance.

Albrecht, Viggiano, Zureck & Co., P.C.

Hauppauge, New York
September 26, 2013

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

As management of the Town of Islip (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial statements for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

At the close of 2012 the assets of the Town's governmental and business activities exceeded its liabilities by \$608,118,219 (net position) and \$34,816,042 (net position), respectively.

The Town's combined net position decreased by \$24,037,485 (or 3.60%) in 2012. The governmental net position decreased by \$27,190,206 (or 4.28%) and the business-type net position increased by \$3,152,721 (or 9.96%).

As of the close of 2012, the Town's governmental funds reported combined ending fund balances of \$101,280,052. Of this amount, \$1,622,672 is not in spendable form or is required to remain intact. The remaining \$99,657,380, represents total fund balances in spendable form with various levels of spending constraint: restricted, assigned, or unassigned.

At the end of 2012, the Town's total fund balance for the General Fund was \$34,954,779, a decrease of 25.52% from the prior year. The assigned and unassigned fund balance for the General Fund was \$33,461,679, or 40.73% of total General Fund expenditures and other uses.

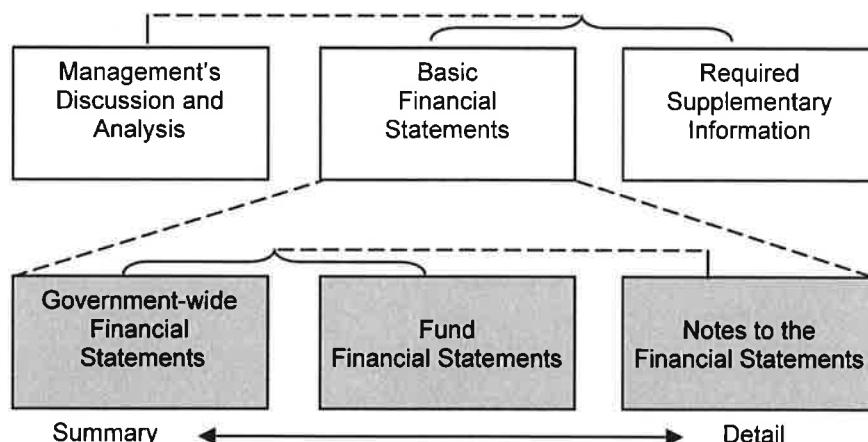
The Town's total governmental activities bonded debt (inclusive of general obligation bonds and bond anticipation notes) was \$148,155,411, an increase of 1.26% from the prior year.

On August 21, 2012 the Town issued \$28,695,000 in Public Improvement Refunding Serial Bonds, to advance and current refund the 2001, 2002 and 2004 serial bonds to reduce its total debt service payments over the next seven years by \$3,013,020 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,934,283.

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) the notes to financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**COMPONENTS OF
THE ANNUAL FINANCIAL REPORT**



TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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 and liabilities, with the difference between the two 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 is 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 activities and business-type activities of the Town itself (known as the primary government) and of its legally separate component units for which the Town is financially accountable. Financial information for two of these component units is reported separately (discretely presented) from the financial information presented for the primary government and financial information for the remaining component units has been blended with that of the primary government.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Governmental Activities

The Town's basic services are reported here, including: general government support; public safety; transportation; fire; lighting; refuse and garbage; water supply; and community service departments. Property taxes, mortgage taxes, franchise fees, and state and federal grants finance most of 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 the Town of Islip Foreign Trade Zone Authority, Islip Resource Recovery Agency, and the Town of Islip Industrial Development Agency (blended component units).

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Component Units

The 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 two discretely presented component units in the notes to this report and as a separate column on the government-wide statements. The Town includes three blended component units which are shown as proprietary funds and are included as business-type activities.

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

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 activities or attaining certain objectives in accordance with special regulations, restriction or limitations. The Town, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

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

The Town maintains sixteen (16) 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 five (5) major funds. The General Fund, Highway Fund, Passenger Facility Charges Fund, Capital Projects Fund and Solid Waste Fund are reported as major funds. Data from the eleven (11) other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information section in this report.

The Town adopts an annual appropriated budget for its General, Special Revenue and District Funds. Budgetary comparison schedules for the General Fund, Highway Fund and Solid Waste Management Fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis". Budgetary comparison schedules for the nonmajor governmental funds are presented in "Other Supplementary Information".

Proprietary Funds

The Town's proprietary funds include the operations of the Town of Islip Foreign Trade Zone Authority, Islip Resource Recovery Agency, and the Town of Islip Industrial Development Agency (blended component units). They are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities, but with more detail.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Fiduciary Funds

All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$608,118,219 at the close of the most recent year.

The comparative condensed statements below focus on the net position and changes in net position of the Town of Islip's governmental and business-type activities.

Condensed Statement of Net Position

Governmental and Business-Type Activities - Primary Government

As of December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 174,667,729	\$ 197,838,762	\$ 70,540,016	\$ 71,568,049	\$ 245,207,745	\$ 269,406,811
Capital assets	725,193,399	730,523,590	18,605,275	21,990,547	743,798,674	752,514,137
Total Assets	899,861,128	928,362,352	89,145,291	93,558,596	989,006,419	1,021,920,948
Liabilities						
Current and other liabilities	66,063,635	95,859,517	4,162,001	3,479,323	70,225,636	99,338,840
Long-term liabilities	225,679,274	197,194,410	50,167,248	58,415,952	275,846,522	255,610,362
Total Liabilities	291,742,909	293,053,927	54,329,249	61,895,275	346,072,158	354,949,202
Net Position						
Net investment in capital assets, net of related debt	605,955,296	603,812,343	1,026,092	(547,767)	606,981,388	603,264,576
Restricted	8,101,076	23,931,690	12,831,442	14,487,295	20,932,518	38,418,985
Unrestricted	(5,938,153)	7,564,392	20,958,508	17,723,793	15,020,355	25,288,185
Total Net Position	\$ 608,118,219	\$ 635,308,425	\$ 34,816,042	\$ 31,663,321	\$ 642,934,261	\$ 666,971,746

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Town's total assets on December 31, 2012 for the governmental activities were \$899,861,128, a decrease of \$28,501,224 from the prior year. Total liabilities were \$291,742,909, a decrease of \$1,311,018 over the prior year. The result is a net position balance of \$608,118,219, a decrease of \$27,190,206 from the prior year. Of the Town's net position, \$605,955,296 was the net investment in capital assets, while \$8,101,076 was restricted. Unrestricted net position (deficit) were \$(5,938,153) at December 31, 2012.

The Town's total assets on December 31, 2012 for the business-type activities were \$89,145,291, a decrease of \$4,413,305 from the prior year. Total liabilities were \$54,329,249, a decrease of \$7,566,026 from the prior year. The result is a net position balance of \$34,816,042, an increase of \$3,152,721 over the prior year. Of the Town's net position, \$1,026,092 was the net investment in capital assets, \$12,831,442 was restricted while unrestricted net position was \$20,958,508 at December 31, 2012.

Total net position were again decreased in the current year and will continue to be impacted in subsequent years due to the ongoing recognition of Other Postemployment Benefits (OPEB). The unfunded liability for postemployment benefits healthcare costs increased in 2012 for governmental activities by \$6,849,431 bringing the unfunded liability at year-end to \$42,760,066. Additional information on postemployment benefits healthcare costs can be found in Note 3.H to the financial statements.

Changes in Net Position

Governmental and Business-Type Activities - Primary Government
For the years ended December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	\$ 37,515,204	\$ 38,589,667	\$ 43,320,338	\$ 41,538,080	\$ 80,835,542	\$ 80,127,747
Operating grants and contributions	19,940,847	11,137,957			19,940,847	11,137,957
Capital grants and contributions	14,863,103	16,624,143			14,863,103	16,624,143
Total Program Revenues	72,319,154	66,351,767	43,320,338	41,538,080	115,639,492	107,889,847
General Revenues						
Real property taxes	98,037,580	96,179,443			98,037,580	96,179,443
Mortgage tax	6,460,298	6,512,985			6,460,298	6,512,985
Other payments in lieu of taxes	10,870,691	10,817,294			10,870,691	10,817,294
Interest and investment income	608,144	1,003,765	433,295	514,052	1,041,439	1,517,817
State aid - unrestricted	1,797,900	2,263,986			1,797,900	2,263,986
Miscellaneous	5,863,150	5,300,020			5,863,150	5,300,020
Total General Revenues	123,637,763	122,077,493	433,295	514,052	124,071,058	122,591,545
Total Revenues	195,956,917	188,429,260	43,753,633	42,052,132	239,710,550	230,481,392
Expenses						
General government support	40,760,717	46,248,654			40,760,717	46,248,654
Public safety	18,768,074	16,765,593			18,768,074	16,765,593
Health	9,530,271	9,036,819			9,530,271	9,036,819
Transportation	56,899,895	49,083,505			56,899,895	49,083,505
Economic assistance and opportunity	3,755,196	4,179,498			3,755,196	4,179,498
Culture and recreation	24,516,650	21,400,175			24,516,650	21,400,175
Home and community services	64,370,815	64,217,011			64,370,815	64,217,011
Interest on debt	4,545,505	5,313,221			4,545,505	5,313,221
Town of Islip Foreign Trade Zone Authority			442,181	535,208	442,181	535,208
Islip Resource Recovery Agency			39,935,840	35,917,499	39,935,840	35,917,499
Town of Islip Industrial Development Agency			222,891	215,304	222,891	215,304
Total Expenses	223,147,123	216,244,476	40,600,912	36,668,011	263,748,035	252,912,487
Excess (Deficiency) Before Transfers	(27,190,206)	(27,815,216)	3,152,721	5,384,121	(24,037,485)	(22,431,095)
Transfers		(48,295)		48,295		
Change in Net Position	(27,190,206)	(27,863,511)	3,152,721	5,432,416	(24,037,485)	(22,431,095)
Net Position at Beginning of Year	635,308,425	663,171,936	31,663,321	26,230,905	666,971,746	689,402,841
Net Position at End of Year	\$ 608,118,219	\$ 635,308,425	\$ 34,816,042	\$ 31,663,321	\$ 642,934,261	\$ 666,971,746

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Key elements of the governmental activities are:

Overall program revenues increased by \$5,967,387 from the prior year primarily due to a \$8,802,890 increase in operating grants and contributions for Hurricane Sandy related cleanup. General revenues increased by \$1,560,270 from the prior year primarily due to increases in real property tax revenue.

Overall expenses increased by \$6,902,647 from the prior year. This increase is due to several factors including increases in health insurance and employee retirement costs, and additional costs related to Hurricane Sandy clean-up.

The Table of Net (Cost) Benefit of Services below presents the total cost of services of the Town's governmental activities as well as the net (cost) benefit of services (total cost of services less program revenues generated by the activities). The net (cost) benefit of services shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Net (Cost) Benefit of Services

Governmental Activities

For the Years Ended December 31, 2012 and 2011

	Total Cost of Services		Program Revenues		Net (Cost) Benefit of Services	
	2012	2011	2012	2011	2012	2011
General government support	\$ 40,760,717	\$ 46,248,654	\$ 2,477,809	\$ 1,601,289	\$ (38,282,908)	\$ (44,647,365)
Public safety	18,768,074	16,765,593	211,849	151,358	(18,556,225)	(16,614,235)
Health	9,530,271	9,036,819	1,266,955	1,535,806	(8,263,316)	(7,501,013)
Transportation	56,899,895	49,083,505	34,115,748	28,467,012	(22,784,147)	(20,616,493)
Economic assistance and opportunity	3,755,196	4,179,498	2,027,196	2,135,662	(1,728,000)	(2,043,836)
Culture and recreation	24,516,650	21,400,175	10,148,323	9,404,597	(14,368,327)	(11,995,578)
Home and community services	64,370,815	64,217,011	22,071,274	23,056,043	(42,299,541)	(41,160,968)
Interest on debt	4,545,505	5,313,221			(4,545,505)	(5,313,221)
	<u>\$ 223,147,123</u>	<u>\$ 216,244,476</u>	<u>\$ 72,319,154</u>	<u>\$ 66,351,767</u>	<u>\$ (150,827,969)</u>	<u>\$ (149,892,709)</u>

The cost of all governmental activities this year was \$223,147,123. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through Town taxes was \$98,037,580, because some of the cost was paid by those who directly benefited from the programs (\$37,515,204) or by other governments and organizations that subsidized certain programs with grants and contributions (\$34,803,950).

Key elements of the business-type activities are:

Overall revenues increased by \$1,701,501 from the prior year primarily due to an increase in charges for services related to Islip Resource Recovery Agency fees.

Overall expenses increased by \$3,932,901 from the prior year. This increase is due to increases in contractual obligations.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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, 2012, the Town's governmental funds reported total ending fund balances of \$101,280,052, an increase of \$2,427,995 from the prior year. The Town began the year with an anticipated overall \$24,660,762 decrease resulting from the appropriation of fund balance for the 2012 budget. The category breakdown is as follows:

Nonspendable fund balance – \$1,622,672 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.

Restricted fund balance – \$41,314,853 (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 – \$50,802,098 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.

Unassigned fund balance – \$7,540,429 (residual net resources) is the total fund balance in the General Fund in excess of nonspendable, restricted and assigned fund balance, of \$10,568,988, and the negative \$3,028,559 in Capital Projects in excess of nonspendable, restricted and assigned fund balances.

General Fund

The General Fund is the principal operating fund of the Town. At the end of the current year, the total fund balance was \$34,954,779, decreasing \$11,976,244 from prior year due to a planned reduction of \$18,453,047 from the appropriation of fund balance for the 2012 budget. Overall, expenditures and other financing uses totaled \$102,221,614, an increase of \$22,480,365 from the prior year. Revenues and other financing sources totaled \$90,245,370, an increase of \$19,122,345 from the prior year. The increase in expenditures was due to a refunded bond escrow payment, increases in employee benefits and contractual salary increase. The increase in revenues was primarily due to proceeds related to the refunding bond.

Highway Fund

In the Highway Fund, total fund balance was \$2,432,122, decreasing \$348,409 from the prior year due to a planned reduction of \$323,975 from the appropriation of fund balance and use of assigned fund balance for the 2012 budget. Overall, expenditures and other financing uses totaled \$40,055,694, an increase of \$16,532,228 from the prior year. Revenues and other financing sources totaled \$39,707,285, an increase of \$19,709,530 from the prior year. The increase in expenditures was due to a refunded bond escrow payment, increase in employee benefits and increased cost related to Hurricane Sandy clean-up. The increase in revenues was primarily due to federal revenue related to Hurricane Sandy reimbursement and increase in property taxes.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Passenger Facility Charges Fund

In the Passenger Facility Charges Fund, total fund balance was \$5,862,165, decreasing \$11,189,693 from the prior year due to the timing of when revenues are received and when the expenditures for the related projects are incurred.

Capital Projects Fund

In the Capital Projects Fund, total fund balance was \$30,185,218, increasing \$28,896,038 from the prior year due to the timing of when revenues are recorded from the issuance of long-term debt, and when the expenditures for the related projects are incurred.

Solid Waste Fund

In the Solid Waste Fund, total fund balance was \$4,284,323, increasing \$146,528 from the prior year. Overall, expenditures and other financing uses totaled \$42,564,880, an increase of \$445,977 from the prior year. Revenues and other financing sources totaled \$42,711,408, an increase of \$613,023 from the prior year. The increase in expenditures was due to an increase in contractual payments. The increase in revenues was primarily due to an increase in property taxes.

Proprietary Funds

The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Town of Islip Foreign Trade Zone Authority, Islip Resource Recovery Agency and Town of Islip Industrial Development Agency proprietary funds at the end of the year amounted to \$374,782, \$31,888,610 and \$2,552,650 respectively. Total growth in net position for these funds was \$176,154, \$2,615,938 and \$360,629 respectively. Key elements of the changes in business-type activities were previously noted.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town appropriated expenditures in the final General Fund budget in excess of estimated revenues in the amount of \$20,200,782, by designating unreserved fund balance and assigned fund balance from the prior year. Actual revenues were more than anticipated by \$576,939. Intergovernmental charges was less than anticipated by \$1,868,675. This was offset by more than anticipated revenue in state and federal aid of \$1,867,098, non-property tax items of \$241,718 and sales of property and compensation for loss of \$170,355. Actual expenditures were less than anticipated by \$7,465,520. General governmental support expenditures were less than appropriated by \$2,324,621, culture and recreation was less than appropriated by \$1,204,396 and employee benefits was less than appropriated by \$1,306,191. Over the course of the year the Town Board revises the budget as needed so that expenditures do not exceed appropriations. In the General Fund various transfers between appropriations were approved for this purpose. The budget was also revised as a result of encumbrances from the prior year. The overall final budget was consistent with original budget except for an additional \$750,000 being appropriated for insurance claims.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the Town has invested in a broad range of capital assets, as seen in the capital assets table below. The details of capital assets are shown in Note 3.C to the financial statements.

Capital Assets - Net of Accumulated Depreciation

Governmental Activities:

As of December 31,

	2012	2011
<u>Non-depreciable assets:</u>		
Land and improvements	\$ 325,221,960	\$ 325,221,960
<u>Depreciable assets:</u>		
Buildings and improvements	151,135,456	154,536,770
Machinery and equipment	23,184,788	26,650,141
Software	176,680	222,870
Infrastructure:		
Airport	72,407,297	64,213,666
Road network	95,853,908	100,274,246
Boardwalks and bulkheads	12,388,682	12,741,418
Drainage network	41,937,379	43,703,980
Water network	2,887,249	2,958,539
Total capital assets - governmental activities	<u>\$ 725,193,399</u>	<u>\$ 730,523,590</u>

Business-Type Activities:

As of December 31,

	2012	2011
<u>Non-depreciable assets:</u>		
Construction in progress		\$ 7,000
Land	\$ 832,821	832,821
<u>Depreciable assets:</u>		
Landfill site improvements	100,619	106,806
Buildings	307,442	326,633
Leasehold improvements	545,617	456,223
Software	14,725	12,495
Resource recovery facility	16,155,388	19,495,430
Machinery and equipment	648,663	753,139
Total capital assets - business-type activities	<u>\$ 18,605,275</u>	<u>\$ 21,990,547</u>

Capital improvements are made throughout the course of the year and are primarily funded by the issuance of long-term debt and federal and state grants. In 2012, the Town invested approximately \$28.6 million in capital assets. Capital improvements at beaches, airport and general road work were the most significant factors in the increase in capital assets for the governmental activities.

Debt Administration

The Town issued bonds and bond anticipation notes for various capital improvements during 2012. The Town has an AAA credit rating from Standard and Poor's Rating Service and an Aa1 credit rating from Moody's Investor Services. In 2012 these ratings were reaffirmed.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Debt Administration (continued)

At December 31, 2012, the Town had \$144,150,000 in bonds and bond anticipation notes outstanding as compared to \$145,180,000 last year, a decrease of less than 1%. This decrease was attributable to additional borrowing for various capital improvements being less than the debt retired during the year. In 2012, \$48,690,000 in bonded debt was retired or refunded. The details of debt are shown in Note 3.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Property Tax

The Town has adopted a budget for 2013 that allows for inflation and other adjustments to revenues and expenditures. The 2013 General Fund budget includes an increase in real property taxes of 22.9% from 2012. The increase in real property taxes is to fund increases in pension cost, benefits, debt obligations and contractual increase in salaries.

The Town's elected and appointed officials considered many factors when setting the upcoming 2013 budget, tax rates, and fees that will be charged. One of those factors is the economy. The Town, located in Suffolk County, NY, 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. Anticipated contractual increases in negotiated labor contracts and fringe benefits are significant factors used in estimating the 2013 budget lines.

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

Union Contracts

The Town of Islip has approximately 750 full-time, year-round employees, which including the part-time and summer seasonal employees, can increase to over 1,500. Local No. 237, International Brotherhood of Teamsters (I.B.T.), represents approximately 290 white-collar employees under contract which will expire on December 31, 2013. The United Public Service Employee Union represents approximately 370 blue-collar under contract which will expire on December 31, 2013. The remaining are administrative or non-union employees.

State Aid and Mortgage Tax

The Town receives financial assistance from New York State. The 2012 budget includes New York State financial assistance aid per capita of \$1.5 million. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of state aid. The State is not constitutionally obligated to maintain or continue state aid to the Town. Also the Town receives mortgage tax revenue passed through Suffolk County. The 2013 budget includes mortgage tax revenue of \$6.8 million.

These revenues are influenced by various economic factors. If these economic factors change, the Town may be affected if actual amounts received are less than anticipated in the budget.

TOWN OF ISLIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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

Tax Collection

Property taxes for the Town, together with the county, fire and school district taxes are collected by the Town Tax Receiver on a single tax bill. The taxes are due and payable in two equal payments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the day such taxes are due and payable and 10% after May 31.

<u>As of May 31,</u>	<u>Total Tax Levy</u>	<u>To Town Supervisor</u>	<u>To County Treasurer</u>	<u>Uncollected / Returned</u>
2012	\$ 997,719,232	\$ 834,233,213	\$ 120,659,423	\$ 42,826,596
2011	948,647,703	789,706,325	118,651,351	40,290,027
2010	926,080,077	767,565,451	116,364,796	42,149,830
2009	902,436,270	750,068,352	110,627,889	41,740,029
2008	856,993,903	716,245,993	103,880,571	36,867,339

The Tax Receiver distributes the collected money to the Town prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's responsibility. The Town is thereby assured of full tax collection.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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's Office at Town of Islip, 401 Main St., Islip, NY 11751.

**BASIC FINANCIAL
STATEMENTS**

TOWN OF ISLIP
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 114,465,951	\$ 53,574,222	\$ 168,040,173	\$ 3,836,471
Escrow funds				294,681
Accounts receivable, net of allowance for uncollectibles	3,352,058	1,167,531	4,519,589	
Due from federal, state and other governments	17,813,654	79,059	17,892,713	721,529
Internal balances	635,144	1,612,125	2,247,269	
Due from component unit	79,088		79,088	
Due from fiduciary fund	34,867,756		34,867,756	
Note receivable, net of unearned interest		35,996	35,996	
Loans and mortgages receivable				1,027,950
Prepays	1,969,243	265,275	2,234,518	122,456
Total Current Assets	173,182,894	56,734,208	229,917,102	6,003,087
Non-current Assets				
Cash and cash equivalents - restricted		10,732,072	10,732,072	798,220
Investments - restricted		2,552,214	2,552,214	
Loans and mortgages receivable				12,690,065
Land and buildings held for resale				9,091,637
Deferred charges, net of amortization	1,484,835	521,522	2,006,357	
Non-depreciable capital assets	325,221,960	832,821	326,054,781	2,531,612
Depreciable capital assets, net of depreciation	399,971,439	17,772,454	417,743,893	2,398,974
Total Non-current Assets	726,678,234	32,411,083	759,089,317	27,510,508
Total Assets	899,861,128	89,145,291	989,006,419	33,513,595
LIABILITIES				
Current Liabilities				
Account payable	11,979,708	2,701,666	14,681,374	976,624
Accrued liabilities	3,235,365	455,354	3,690,719	
Retained percentages payable	521,517		521,517	
Due to other governments	1,372,560	241,697	1,614,257	
Internal balances	1,612,125	635,144	2,247,269	
Due to primary government				79,088
Bond anticipation notes	1,080,000		1,080,000	
Unearned revenue	46,262,360	128,140	46,390,500	
Tenant security deposits				41,529
Non-current liabilities due within one year	18,167,438	7,352,000	25,519,438	139,103
Total Current Liabilities	84,231,073	11,514,001	95,745,074	1,236,344
Non-current Liabilities				
Accrued liabilities				561,047
Due in more than one year	207,511,836	42,815,248	250,327,084	1,928,283
Total Non-current Liabilities	207,511,836	42,815,248	250,327,084	2,489,330
Total Liabilities	291,742,909	54,329,249	346,072,158	3,725,674
NET POSITION				
Net investment in capital assets	605,955,296	1,026,092	606,981,388	4,023,997
Restricted for culture and recreation	273,733		273,733	
Restricted for debt service		12,831,442	12,831,442	23,779,594
Restricted for airport improvements/operations	7,827,343		7,827,343	
Unrestricted	(5,938,153)	20,958,508	15,020,355	1,984,330
Total Net Position	\$ 608,118,219	\$ 34,816,042	\$ 642,934,261	\$ 29,787,921

TOWN OF ISLIP
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General government support	\$ 40,760,717	\$ 1,655,779	\$ 822,030		\$ (38,282,908)	\$ (38,282,908)
Public safety	18,768,074	158,786	53,063		(18,556,225)	(18,556,225)
Health	9,530,271	560,620	706,335		(8,263,316)	(8,263,316)
Transportation	56,899,895	12,627,906	9,428,880	\$ 12,058,962	(22,784,147)	(22,784,147)
Economic assistance and opportunity	3,755,196	2,813	2,024,383		(1,728,000)	(1,728,000)
Culture and recreation	24,516,650	7,193,988	150,194	2,804,141	(14,368,327)	(14,368,327)
Home and community services	64,370,815	15,315,312	6,755,962		(42,299,541)	(42,299,541)
Interest on debt	4,545,505				(4,545,505)	(4,545,505)
Total Governmental Activities	223,147,123	37,515,204	19,940,847	14,863,103	(150,827,969)	(150,827,969)
Business-Type Activities:						
Foreign Trade Zone Authority	442,181	615,315			\$ 173,134	173,134
Islip Resource Recovery Agency	39,935,840	42,139,183			2,203,343	2,203,343
Town of Islip Industrial Development Agency	222,891	565,840			342,949	342,949
Total Business-Type Activities	40,600,912	43,320,338			2,719,426	2,719,426
Total Primary Government	\$ 263,748,035	\$ 80,835,542	\$ 19,940,847	\$ 14,863,103	(150,827,969)	(148,108,543)
Component Units:						
Home and community services	\$ 8,120,249	\$ 1,535,098	\$ 7,927,700			\$ 1,342,549
General Revenues						
Real property taxes					98,037,580	98,037,580
Other real property tax items					5,328,973	5,328,973
Non-property tax items					5,541,718	5,541,718
Mortgage tax					6,460,298	6,460,298
Interest and investment income					608,144	433,295
State aid - unrestricted					1,797,900	1,041,439
Other					5,863,150	1,797,900
Special Item						5,863,150
						(490,000)
Total General Revenues					123,637,763	124,071,058
Change in Net Position					(27,190,206)	(24,037,485)
Net Position at Beginning of Year					635,308,425	861,334
Net Position at End of Year					\$ 608,118,219	\$ 666,971,746
					\$ 34,816,042	\$ 28,926,587
					\$ 642,934,261	\$ 29,787,921

TOWN OF ISLIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	Major Governmental Funds						
	General	Highway	Passenger Facility Charges	Capital Projects	Solid Waste	Nonmajor Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 35,782,642	\$ 1,514,067	\$ 8,100,857	\$ 29,941,213	\$ 9,615,564	\$ 29,511,608	\$ 114,465,951
Accounts receivable, net	1,590,449	70,719	315,089			955,968	2,932,225
Due from federal, state and other governments	2,050,395	6,964,154		2,429,325	95,001	329,611	11,868,486
Due from enterprise funds	635,144						635,144
Due from component units	79,088						79,088
Due from fiduciary funds	9,783,644	6,657,723		3,527	13,080,549	5,342,313	34,867,756
Due from other funds	1,593,504	3,007,986		182,971		185,810	4,970,271
Prepays	782,065	110,157			18,696	274,452	1,185,370
Total Assets	\$ 52,296,931	\$ 18,324,806	\$ 8,415,946	\$ 32,557,036	\$ 22,809,810	\$ 36,599,762	\$ 171,004,291
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,634,662	\$ 5,698,505	\$ 2,306,134	\$ 851,641	\$ 820,900	\$ 667,866	\$ 11,979,708
Accrued liabilities	1,369,754	145,658			19,579	390,707	1,925,698
Retained percentages payable			247,647	273,870			521,517
Due to other governments	58,614					1,313,946	1,372,560
Due to enterprise funds	382,423	1,009,184		153,387	219,029	1,489	1,612,125
Due to other funds	1,078,999	190,976		1,080,000	24,974	3,521,935	4,970,271
Bond anticipation notes				12,920			1,080,000
Deferred revenue	12,817,700	8,848,361			17,441,005	7,142,374	46,262,360
Total Liabilities	17,342,152	15,892,684	2,553,781	2,371,818	18,525,487	13,038,317	69,724,239
Fund Balances:							
Non-spendable							
Long-term receivable	437,302						437,302
Prepays	782,065	110,157			18,696	274,452	1,185,370
Restricted							
Capital projects				33,213,777			33,213,777
Culture and recreation							273,733
Airport improvements/operations			5,862,165			1,965,178	7,827,343
Assigned							
Purchases on order or contractual obligations							
Debt service	817,306	86,154			2,759	268,470	1,174,689
Workers' compensation	613,809	457,766				237,551	1,309,126
Judgments and claims	7,811,197						7,811,197
Insurance	2,892,076						2,892,076
Postemployment benefits	2,718,303						2,718,303
Subsequent year's budget	3,000,000	600,000				2,000,000	5,600,000
Special revenue funds	5,040,000	1,178,045				2,115,001	7,155,001
Unassigned	10,568,988			(3,028,559)		16,700,793	22,141,706
Total Fund Balances	34,954,779	2,432,122	5,862,165	30,185,218	4,284,323	23,561,445	101,280,052
Total Liabilities and Fund Balances	\$ 52,296,931	\$ 18,324,806	\$ 8,415,946	\$ 32,557,036	\$ 22,809,810	\$ 36,599,762	\$ 171,004,291

TOWN OF ISLIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2012

Total Fund Balances - Governmental Funds **\$ 101,280,052**

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	\$ 325,221,960	
Capital assets - depreciable	992,678,951	
Accumulated depreciation	<u>(592,707,512)</u>	
		725,193,399

Certain pension funds have been funded in excess of the annual required
contributions, creating a year-end asset. The asset is not a current
available resource and is not reported in the funds.

783,873

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.

General obligation bonds	(147,075,411)	
Notes payable	(5,781,304)	
Due to employee retirement system	(4,294,780)	
Estimated liability for landfill closure and post-closure care costs	(5,372,850)	
Estimated liability for self-insurance	(10,703,273)	
Other postemployment benefits payable	(42,760,066)	
Compensated absences	(9,583,248)	
Deferred (lag) payroll	<u>(108,342)</u>	
		(225,679,274)

Deferred charges included in the Statement of Activities, net of amortization

1,484,835

Revenues in the Statement of Activities that do not provide current financial
resources and are not reported as revenues in the funds.

Mortgage tax revenue	1,482,569	
Grants revenue	4,440,888	
Miscellaneous	21,711	
Charges for services	<u>419,833</u>	
		6,365,001

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

(1,309,667)

Net Position of Governmental Activities **\$ 608,118,219**

TOWN OF ISLIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	Major Governmental Funds						
	General	Highway	Passenger Facility Charges	Capital Projects	Solid Waste	Nonmajor Governmental Funds	Total
REVENUES							
Real property taxes	\$ 25,307,990	\$ 16,315,113			\$ 38,820,290	\$ 17,594,187	\$ 98,037,580
Other real property tax items	1,018,358	392,506			3,636,440	281,669	5,328,973
Non-property tax items	5,541,718						5,541,718
Departmental income	9,062,821	142,659				19,102,066	28,307,546
Intergovernmental charges	9,088,957	440,182				5,988	9,535,127
Use of money and property	1,127,964	31,177	\$ 26,962	\$ 705	108,994	146,158	1,441,960
Licenses and permits	587,954	140,163					728,117
Fines and forfeitures	578,900					1,078,726	1,657,626
Sales of property and compensation for loss	336,355	11,968				197,700	546,023
Miscellaneous local sources	3,422,606	26,253	2,582,956	584,370	49,124	378,004	7,043,313
Interfund revenues	4,200,987						4,200,987
State aid	7,196,576	1,206,625		4,448,653	1,559	1,808,776	14,662,189
Federal aid	2,528,740	8,214,465		2,949,010	95,001	6,559,499	20,346,715
	<u>69,999,926</u>	<u>26,921,111</u>	<u>2,609,918</u>	<u>7,982,738</u>	<u>42,711,408</u>	<u>47,152,773</u>	<u>197,377,874</u>
EXPENDITURES							
General government support	20,222,491	129,719			1,659,265	2,514,328	24,525,803
Public safety	8,067,618					3,245,926	11,313,544
Health	1,647,766					6,614,057	8,261,823
Transportation		18,927,608				12,167,727	31,095,335
Economic assistance and opportunity	2,836,403					2,836,403	2,836,403
Culture and recreation	12,814,506					425,840	13,240,346
Home and community services	4,313,138				40,480,134	12,076,777	56,870,049
Employee benefits	21,838,543	4,149,572	12,843,337	14,751,093	425,481	6,657,293	33,070,889
Capital outlay							27,594,430
Debt service:							
Principal	7,909,159					1,673,222	16,004,270
Interest	2,293,958	5,533,289	888,600			969,382	4,974,250
Bond issuance costs	214,667	1,643,236	67,674			8,889	266,147
	<u>82,158,249</u>	<u>30,426,015</u>	<u>13,799,611</u>	<u>14,751,093</u>	<u>42,564,880</u>	<u>46,353,441</u>	<u>230,053,289</u>
Total Expenditures	<u>(12,158,323)</u>	<u>(3,504,904)</u>	<u>(11,189,693)</u>	<u>(6,768,355)</u>	<u>146,528</u>	<u>799,332</u>	<u>(32,675,415)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures							
Other Financing Sources (Uses)							
Debt issued							34,745,000
Premiums on obligations	2,092,391	1,064,415		34,745,000		209,314	3,366,120
Transfers in		3,000,000		1,035,000		115,607	4,150,607
Transfers out				(115,607)		(4,035,000)	(4,150,607)
Refunding bonds issued	18,153,053	8,721,759				1,820,188	28,695,000
Debt service - principal	(9,024,391)	(4,971,849)				(488,760)	(14,485,000)
Payments to refunded bond escrow agent	(11,038,974)	(4,657,830)				(1,520,906)	(17,217,710)
Total Other Financing Sources (Uses)	<u>182,079</u>	<u>3,156,495</u>	<u>-0-</u>	<u>35,664,393</u>	<u>-0-</u>	<u>(3,899,557)</u>	<u>35,103,410</u>
Net Change in Fund Balances	<u>(11,976,244)</u>	<u>(348,409)</u>	<u>(11,189,693)</u>	<u>28,896,038</u>	<u>146,528</u>	<u>(3,100,225)</u>	<u>2,427,995</u>
Fund Balances at Beginning of Year	<u>46,931,023</u>	<u>2,780,531</u>	<u>17,051,858</u>	<u>1,289,180</u>	<u>4,137,795</u>	<u>26,661,670</u>	<u>98,852,057</u>
Fund Balances at End of Year	<u>\$ 34,954,779</u>	<u>\$ 2,432,122</u>	<u>\$ 5,862,165</u>	<u>\$ 30,185,218</u>	<u>\$ 4,284,323</u>	<u>\$ 23,561,445</u>	<u>\$ 101,280,052</u>

TOWN OF ISLIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Net Change in Fund Balances		\$ 2,427,995
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation expense exceeds capital outlay in the current period is:</p>		
Capital outlay	\$ 28,629,816	
Depreciation expense	<u>(33,803,957)</u>	(5,174,141)
<p>The net effect of various miscellaneous transactions involving capital assets related to sales, trade-ins and disposals is to decrease net position.</p>		
		(156,050)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Prepaid charges		(432,857)
Deferred charges		(1,934,961)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		2,936,080
<p>The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital leases consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
Issuance of debt	(63,440,000)	
Repayment of bond principal	46,575,000	
Notes payable	244,270	
Due to employee retirement service	(2,017,813)	
Estimated liability for landfill closure and post-closure care costs	29,350	
Estimated liability for self-insurance	549,213	
Other postemployment benefits payable	(6,849,431)	
Compensated absences	24,630	
Lag payroll	52,918	
Accrued interest payable	<u>(24,409)</u>	<u>(24,856,272)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (27,190,206)</u></u>

TOWN OF ISLIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

		Enterprise Funds		
		Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency
				Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$	522,561	\$ 50,506,048	\$ 2,545,613
Accounts receivable, net of allowance		12,378	1,155,153	
Due from federal, state and other governments			79,059	
Due from governmental funds			1,612,125	
Note receivables, net of unearned interest			35,996	
Prepays		5,735	259,540	
Total Current Assets		540,674	53,647,921	2,545,613
Non-current Assets				
Cash and cash equivalents - restricted			10,732,072	
Investments - restricted			2,552,214	
Deferred charges, net of accumulated amortization			521,522	
Non-depreciable capital assets			832,821	
Depreciable capital assets, net of depreciation		552,334	17,203,923	16,197
Total Non-current Assets		552,334	31,842,552	16,197
Total Assets		1,093,008	85,490,473	2,561,810
LIABILITIES				
Current Liabilities				
Accounts payable		21,294	2,671,212	9,160
Accrued liabilities		2,510	452,844	
Due to other governments			241,697	
Due to governmental funds		442,258	192,886	
Unearned revenue / deferred revenue		128,140		
Non-current liabilities due within one year			7,352,000	
Total Current Liabilities		594,202	10,910,639	9,160
Non-current Liabilities				
Due in more than one year		124,024	42,691,224	
Total Non-current Liabilities		124,024	42,691,224	-0-
Total Liabilities		718,226	53,601,863	9,160
NET POSITION				
Net investment in capital assets		552,334	457,561	16,197
Restricted			12,831,442	
Unrestricted		(177,552)	18,599,607	2,536,453
Total Net Position	\$	374,782	\$ 31,888,610	\$ 2,552,650

TOWN OF ISLIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2012

	Enterprise Funds			Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	
Operating Revenues				
Charges and fees	\$ 152,621	\$ 38,889,916	\$ 565,840	\$ 39,608,377
Rentals and royalties	462,694	66,900		529,594
Sales		3,182,367		3,182,367
Total Operating Revenues	615,315	42,139,183	565,840	43,320,338
Operating Expenses				
Personal services	132,838	1,650,454		1,783,292
Employee benefits	90,015	1,567,514		1,657,529
Contractual goods and services	191,226	32,146,151	217,125	32,554,502
Depreciation	28,102	3,586,378	5,766	3,620,246
Total Operating Expenses	442,181	38,950,497	222,891	39,615,569
Operating Income	173,134	3,188,686	342,949	3,704,769
Non-Operating Revenues (Expenses)				
Interest income and amortization	3,020	412,595	17,680	433,295
Debt service - interest		(985,343)		(985,343)
Total Non-Operating Revenues (Expenses)	3,020	(572,748)	17,680	(552,048)
Change in Net Position	176,154	2,615,938	360,629	3,152,721
Net Position at Beginning of Year	198,628	29,272,672	2,192,021	31,663,321
Net Position at End of Year	\$ 374,782	\$ 31,888,610	\$ 2,552,650	\$ 34,816,042

TOWN OF ISLIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012

	Enterprise Funds			Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, clients and tenants	\$ 618,001	\$ 42,225,698	\$ 704,080	\$ 43,547,779
Cash payments:				
Personal services and employee benefits	(227,889)	(2,797,416)		(3,025,305)
Contractual expenses	(467,649)	(34,631,351)	(322,350)	(35,421,350)
Net Cash Provided/(Used) by Operating Activities	<u>(77,537)</u>	<u>4,796,931</u>	<u>381,730</u>	<u>5,101,124</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from payments in lieu of taxes			12,340,310	12,340,310
Cash payments in lieu of taxes			(12,340,310)	(12,340,310)
Net Cash Provided by Noncapital Financing Activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition, construction and improvements of capital assets	(104,753)	(130,220)		(234,973)
Principal payments on revenue bonds		(4,815,000)		(4,815,000)
Interest payments on revenue bonds		(1,146,440)		(1,146,440)
Net Cash Used by Capital and Related Financing Activities	<u>(104,753)</u>	<u>(6,091,660)</u>	<u>-0-</u>	<u>(6,196,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale or redemption of investments		27,691,906		27,691,906
Purchase of investments		(27,533,517)		(27,533,517)
Interest income	3,020	412,595	17,680	433,295
Net Cash Provided by Investing Activities	<u>3,020</u>	<u>570,984</u>	<u>17,680</u>	<u>591,684</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(179,270)	(723,745)	399,410	(503,605)
Cash and Cash Equivalents at Beginning of Year	701,831	61,961,865	2,146,203	64,809,899
Cash and Cash Equivalents at End of Year	<u>\$ 522,561</u>	<u>\$ 61,238,120</u>	<u>\$ 2,545,613</u>	<u>\$ 64,306,294</u>
		(A)		
(A) RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS				
Current assets - cash and cash equivalents		\$ 50,506,048		
Non-current assets - cash and cash equivalents - restricted		10,732,072		
Total Cash and Cash Equivalents		<u>\$ 61,238,120</u>		

TOWN OF ISLIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012

	Enterprise Funds			
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES				
Operating income	\$ 173,134	\$ 3,188,686	\$ 342,949	\$ 3,704,769
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Depreciation	28,102	3,586,378	5,766	3,620,246
Bad debt expense		(67,161)		(67,161)
Change in assets and liabilities:				
(Increase) decrease in assets				
Accounts receivable	8,633	61,009		69,642
Notes receivable		36,908	138,240	175,148
Pilots receivable			42,726	42,726
Due from other governments		(70,502)		(70,502)
Due from primary government		126,261		126,261
Prepaid expenses and deferred charges	(3,129)	(10,356)		(13,485)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(1,692)	1,231,517	(8,425)	1,221,400
Due to other governments	(271,602)	56,307	(139,526)	(354,821)
Due to primary government		(57,579)		(57,579)
Long-term liabilities	(5,036)	(3,284,537)		(3,289,573)
Deferred income	(5,947)			(5,947)
Net Cash Provided/(Used) by Operating Activities	\$ (77,537)	\$ 4,796,931	\$ 381,730	\$ 5,101,124

TOWN OF ISLIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 108,968,161
Service award program assets	<u>678,887</u>
Total Assets	<u><u>\$ 109,647,048</u></u>
LIABILITIES	
Due to other governments	\$ 63,993,243
Due to governmental funds	34,867,756
Service award program liabilities	678,887
Agency fund liabilities	<u>10,107,162</u>
Total Liabilities	<u><u>\$ 109,647,048</u></u>

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Islip (the "Town"), which was established in 1683, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor, who is elected for a term of four years, and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney, Town Assessor, Comptroller and Town Engineer whose terms are fixed by Town Law. The Town Clerk and Receiver of Taxes are elected and both serve for four years.

The Town provides a full range of municipal services, including public safety, transportation, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

The basic financial statements of the Town of Islip 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 accepted 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; (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.

Included in the reporting entity:

Blended component units

The blended component units are blended into the primary government in the fund financial statements and as business-type activities in the government-wide financial statements.

The following three component units are governed by boards, which are comprised of the five members of the Town of Islip Board.

The Town of Islip Foreign Trade Zone Authority was established by a special act of the New York State Legislature and Chapter 84 of the Laws of 1981, effective April 24, 1981, through a contract with the County of Suffolk pursuant to Section 224(18) of the County Law. The Town of Islip Foreign Trade Zone Authority is a component unit of the Town and is reported as an enterprise fund.

The Town of Islip Foreign Trade Zone Authority leases land from the Town under an operating lease expiring in 2047. In consideration, the Town of Islip Foreign Trade Zone Authority agrees that, at all times during the term of the lease, it will pay to the Town 100% of the net income and profits derived from the business conducted on the premises under any sub-leasing arrangements.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Included in the reporting entity: (continued)

Blended component units (continued)

The Islip Resource Recovery Agency was authorized by the New York State Legislature and established by a referendum approved by a majority of the Town's voters in 1982 as a public benefit corporation and a public authority of the State pursuant to the Islip Resource Recovery Act (the "Act"). The Town of Islip Resource Recovery Agency is a component unit of the Town and is reported as an enterprise fund.

The Islip Resource Recovery Agency is authorized by the Act to finance, acquire, construct, operate and maintain a solid waste management-resource recovery system (which consists of one closed landfill, one inactive landfill, a clean fill, Phase I and II, the MacArthur Resource Facility, a material recovery facility and a composting facility) in the Town and, in connection therewith, to contract with the Town for the purpose of receiving, treating and disposing of municipal solid waste generated in the Town.

The Town of Islip Industrial Development Agency is a public benefit organization created in 1974 by the New York State Legislature for the purpose of encouraging economic growth within the Town. It raises funds to accomplish this purpose by issuing negotiable bonds and notes. The Town of Islip Industrial Development Agency personnel are employees of the Town. The Town also provides office space on a rent-free basis. The Town of Islip Industrial Development Agency is a component unit of the Town and is reported as an enterprise fund.

Complete financial statements for each of the individual component units can be obtained at their respective administrative offices at the following addresses:

Islip Resource Recovery Agency
401 Main Street
Islip, New York 11751

Town of Islip Industrial Development Agency
40 Nassau Avenue
Islip, New York 11751

Town of Islip Foreign Trade Zone Authority
1 Trade Zone Drive
Ronkonkoma, New York 11779

Discretely presented component units

The discretely presented component units, both of which have June 30 fiscal years, are presented in a separate column labeled "Component Units" in the government-wide financial statements.

The Town of Islip Community Development Agency was organized in 1976 as a public benefit corporation under the Urban Renewal Law. The Urban Renewal Law grants to the Town of Islip Community Development Agency broad community development urban renewal powers, including residential rehabilitation and development, assisting financially with constructing, acquiring, rehabilitating and improving industrial and manufacturing plants and conducting municipal improvements.

The Board of Directors of the Town of Islip Community Development Agency is composed of a chairman and four directors, who are appointed by the Islip Town Board and serve five-year terms. The Executive Director of the Town of Islip Community Development Agency is the chief executive officer and is appointed by the Town of Islip Community Development Agency Board.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

Included in the reporting entity: (continued)

Discretely presented component units (continued)

Payments to the Town of Islip Community Development Agency consist of subrecipient Federal Aid proceeds from the United States Department of Housing and Urban Development for the Agency's programs. These payments totaled \$6,491,757 for the year ended December 31, 2012.

Islip's Housing Development Fund Company, Inc. is a New York governmental not-for-profit corporation that was organized in 1990 under the Private Housing Finance Law of the State, the Not-For-Profit Corporation Law of the State and Internal Revenue Code Section 501(c)(3). Islip's Housing Development Fund Company, Inc. acts as an agent of the Town of Islip Community Development Agency. Under the Private Housing Financing Law and its certificate of incorporation and by-laws, Islip's Housing Development Fund Company, Inc. is authorized to develop housing projects, within the Town of Islip, New York for persons and families of low income who cannot afford to pay enough to cause private enterprise in their municipality to build a sufficient supply of adequate, safe and sanitary dwellings.

Condensed financial statements for these discretely presented component units are presented in Note 6.

Not included in the reporting entity:

Related Organizations

The Housing Authority of the Town was established pursuant to the laws of the State of New York to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other federal agencies. The Supervisor of the Town appoints the members of the Housing Authority's Board, but the Town's accountability for this organization does not extend beyond making the appointments.

Within the geographic boundaries of the Town are 4 incorporated villages, 12 school districts, and 20 fire districts. These entities are excluded from the Town's financial statements because their operations are controlled by officials elected by their respective constituencies and the Town has no fiscal responsibilities to them and cannot influence their operations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town's basic financial statements include 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 as well as the 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. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements (continued)

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Governmental funds are further classified as major and nonmajor 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 not accounted for and reported in another fund.

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

Highway Fund – is a Special Revenue Fund used to account for revenues and expenditures for highway purposes. The major areas of expenditures are repairs and improvements, machinery, snow removal and miscellaneous. The major source of revenue is real property taxes.

Passenger Facility Charges Fund – is used to account for financial resources to be used for specified purposes related to the airport. The major areas of expenditures are airport improvements. The major source of revenue is passenger facility charges.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

Solid Waste Fund – is used to account for financial resources to be used for sanitation purposes. The major areas of expenditures are solid waste disposal fees. The major source of revenue is real property taxes.

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

Additionally, the Town accounts for and reports the following nonmajor funds:

Town Outside Village – is used to account for revenues and expenditures for certain services provided to the area of the Town located outside of Incorporated Villages.

Community Development Fund – is used to account for Federal Aid for the following programs: Community Development Block Grant Program, HOME Investment Partnership Program, Housing Opportunities for Persons with AIDS and the Emergency Shelter Grant.

Airport Fund – a special revenue fund that is used to account for revenues and expenditures for airport purposes.

Park Improvement Funds – a special revenue fund that is used to account for revenues and expenditures for various park improvements.

Special District Funds – are used to account for taxes or other revenues, which are raised or received to provide special services to areas that encompass less than the whole Town. The Special District Funds consist of a number of separate districts, which are administered by the Town Board as follows:

Ambulance Districts as follows:

Bay Shore Brightwaters
Exchange Ambulance of the Islips
Brentwood
Sayville
Central Islip – Hauppauge

Fire Protection Districts as follows:

Bay Shore
Fire Island
Seaview
Atlantique

Street Lighting District

Erosion Control Districts as follows:

Cornelius Estates
Lonelyville
Fair Harbor
Atlantique
Dunewood
Seaview
Kismet

Lifeguard District

Water Districts as follows:

Brentwood
Fair Harbor
Holbrook Extension #1
Holbrook Water Supply
Central Islip Water Supply
Victory Farms
Hawthorne Avenue
Brentwood Extension #28
Ronkonkoma
Pond Road
North Bay Shore
North Bay Shore Extension #1
Pine Aire
Town of Islip Water Supply
Central Islip / Tech Water

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

Miscellaneous Districts as follows:

- Joint Garbage
- Fair Harbor Dunewood Medical
- Fair Harbor Dock
- Kismet Street Improvement
- Bay Towne Drainage
- Bay Towne Snow Removal
- Fehr Way Drainage
- Bay Shore Business Improvement

Proprietary funds – 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) are included on 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.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town of Islip Foreign Trade Zone Authority, Islip Resource Recovery Agency, and the Town of Islip Industrial Development Agency are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town reports the following proprietary funds as enterprise funds:

Town of Islip Foreign Trade Zone Authority – is used to account for activity related to the Town of Islip Foreign Trade Zone Authority which allows for its tenants, importers and manufacturers to warehouse goods or manufacture products with foreign made components, while deferring the payment of customs duty and excise taxes until goods are transferred from the Trade Zone in to the United States.

Islip Resource Recovery Agency – is used to account for activity related to the Islip Resource Recovery Agency, a public benefit corporation created to operate a solid waste management resource recovery system in the Town and to contract with the Town for the purpose of receiving, treating and disposing of solid waste in the Town.

Town of Islip Industrial Development Agency – is used to account for activity related to the Town of Islip Industrial Development Agency which was created for the purpose of encouraging economic growth within the Town by issuing negotiable bonds and notes, providing local tax abatements and exemptions, sales tax exemptions and mortgage recording tax exemptions.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Agency Funds – are used for money (and/or property) received and held in the capacity of trustee, custodian or agent.

Town Agency Funds – account for consolidated payroll and other agency liabilities.

Town Clerk Funds – account for permit and license fees collected on behalf of other governments.

Town Receiver of Taxes Agency Funds – account for amounts due to other governments for general and school taxes collected.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when the 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 60 days of the end of the current period. 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, due to employee retirement system, deferred (lag) payroll, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and postemployment benefits healthcare costs are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual include mortgage tax, franchise fees, certain charges for services, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In the Capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds.

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 other for sales and services and the rental income from leasing property which is the primary activity.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Operating expenses include costs of sales and services and leasing the property as well as administrative and depreciation expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Because governmental fund statements are presented using a measurement focus and a 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.

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

1. CASH AND INVESTMENTS

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months.

State statutes govern the Town's investment policies. The Town has a written investment policy stating that Town money must be deposited in FDIC-insured commercial banks located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include special time deposit accounts, obligations of the United States Treasury and United States agencies, obligations of New York State or its localities.

Collateral is required at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

2. RESTRICTED ASSETS

Certain assets of the Town of Islip and the Islip Resource Recovery Agency are classified as restricted assets because their use is restricted by contractual agreements and/or regulations.

3. ACCOUNTS RECEIVABLES

Accounts receivables are recorded and revenues recognized as earned. All receivables are reported at their gross value and, where appropriate, are reduced by an allowance for uncollectible amounts.

Governmental Funds:

The majority of accounts receivable relate to the operation of the Long Island Islip MacArthur Airport and includes amounts for rent, landing fees, tiedowns, etc. Accounts receivables are shown net of an allowance for uncollectibles in the amount of \$75,744 at December 31, 2012. Amounts are determined uncollectible by management on a case by case basis and generally represent amounts outstanding for more than one year and/or disputed amounts.

Proprietary Funds:

The Town of Islip Foreign Trade Zone Authority had a balance in accounts receivable of \$12,378 shown net of an allowance for uncollectibles of \$2,602 at December 31, 2012. Amounts are determined uncollectible by management on a case by case basis and generally represent amounts outstanding after management has used reasonable collection efforts.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

3. ACCOUNTS RECEIVABLES (continued)

The Islip Resource Recovery Agency had a balance in accounts receivable of \$1,155,153, shown net of an allowance for uncollectibles of \$183,417 at December 31, 2012. Amounts are determined uncollectible by management on a case by case basis and generally represent amounts outstanding after management has used reasonable collection efforts.

4. DUE FROM FEDERAL, STATE AND OTHER GOVERNMENTS

Receivables are recorded and revenues recognized as program expenditures are incurred. Due from Federal, State, and other governments represent amounts owed to the Town for various programs operated under grant or other contractual agreements. The Town generally considers revenues to be available if they are collected within 60 days of the end of the current period.

5. INTERFUND TRANSACTIONS

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 are for interfund services (provided and used) in the General Fund and represent amounts charged for services or facilities provided by the General Fund. The amounts paid by the fund receiving the benefit of the service or facilities are reflected as an expenditure of that fund.

b) Operating Transfers

Transfers represent payments to various funds for excess amounts received by the Capital Projects Funds and budgeted transfers between funds within the same taxing jurisdiction.

6. NOTES RECEIVABLE

Notes receivable for the Islip Resource Recovery Agency consist of repayment agreements established for customer accounts with delinquent receivables. Amounts at December 31, 2012 are shown net of unearned interest.

7. DUE FROM/TO OTHER FUNDS

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/due to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

8. PREPAID ITEMS

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

In governmental funds, amounts reported as 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.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

9. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Infrastructure assets are reported at historical cost. Donated capital assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Buildings and other improvements	15-45 years
Machinery and equipment	3-10 years
Intangibles	3 years
Infrastructure	20-60 years

Infrastructure assets, consisting of certain improvements other than buildings including roads, curbs, sidewalks, drainage system, street lighting, water mains and sewer system are capitalized along with other capital assets.

Intangible assets lack physical substance, are nonfinancial in nature, and have an estimated useful life extending beyond a single reporting period. The term depreciation, as used in these footnotes, includes amortization of intangible assets.

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

10. DUE TO OTHER GOVERNMENTS

Amounts due to other governments are for services provided to the Town by other municipalities.

11. DEFERRED REVENUE/UNEARNED REVENUE

Deferred revenue/unearned revenue are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met. Such amounts include collections in advance, unearned income, and amounts deemed to be "measurable" but not "available" to finance current expenses.

12. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town did not have any items qualifying for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town did not have any items qualifying for reporting in this category.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

13. SHORT-TERM DEBT

The Town may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent issuance of bonds.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, revenue bonds, due to employee retirement system, compensated absences, claims and judgments, liability for landfill closure and postclosure care costs, deferred (lag) payroll and postemployment benefits healthcare costs are recognized in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond issuance costs that are immaterial are charged as operating expenses in the fund servicing the debt.

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

15. NET POSITION AND FUND EQUITY CLASSIFICATIONS

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

- 1) 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.
- 2) Restricted — 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. Restricted net position reported in the Statement of Net Position as of December 31, 2012 are not restricted by enabling legislation.
- 3) Unrestricted — All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the fund financial 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), or (b) will not convert to cash within the current period (i.e., long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e., the principal of a permanent fund).

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE (continued)

15. NET POSITION AND FUND EQUITY CLASSIFICATIONS (continued)

The spendable portion of 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 Town Comptroller have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- 5) Unassigned fund balance reflects the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

E. REVENUES AND EXPENDITURES

1. REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

The Town has its own Assessor's office, whose responsibilities are independent and distinct from those of the Town of Islip Receiver of Taxes. The Town assessment roles are used for the levy of real property taxes by the Town, School Districts, and by Special Districts located within the Town, as well as, by the County of Suffolk, New York, (the "County").

The Town of Islip Receiver of Taxes ("Receiver") collects all real property taxes for the Town, County, Special Districts, and School Districts located within the Town of Islip. Town and County real property taxes are levied on December 1st, and are due in two equal installments, payable without penalty to January 10th and May 31st, respectively. Penalties are imposed thereafter at the rate of 1% per month from January 10th until May 31st, after which taxes are payable to the Suffolk County Treasurer.

The Receiver collects all taxes based on a single bill and distributes the proceeds to the Town Supervisor prior to distributing the remaining balance collected to the County. Responsibility for the collection of unpaid taxes remains with the County and, accordingly, the Town, Special Districts, and School Districts are assured of 100% collection of real property taxes.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. REVENUES AND EXPENDITURES (continued)

2. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town.

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 retirees Emblem Health (HIP or Vytra).

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Town's union contracts and ordinances require that it provide its eligible enrollees with the Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Town has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss.

The liability for postemployment benefits payable is recorded as a non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

3. COMPENSATED ABSENCES

The estimated liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. Compensated absence liability and expense 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 an expenditure and a liability in the funds statement in the respective fund that will pay the liability.

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. 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.

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 the assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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. During the year ended December 31, 2012, the Town adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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) On or before September 30th, the Comptroller files with the Town Clerk and presents to the Town Board a tentative budget for the ensuing year.
- b) On or before October 5th, the Town Board reviews the tentative budget and files a preliminary budget with the Town Clerk.
- c) The Town Board conducts a public hearing on the preliminary budget on or before November 20th; the Town Board meets to adopt the budget now known as the "annual budget".
- d) Formal budgetary integration is employed during the year as a management control device for the General Fund, and certain Special Revenue Funds. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the Passenger Facility Charges Fund and the Capital Projects Fund lapse at year-end.
- e) Budgets for the General Fund and certain Special Revenue Funds are legally adopted for each year. 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 may be made. The Passenger Facility Charges Fund and Capital Projects Fund are budgeted on a project or grant basis.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which included a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2016, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however, local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There are permitted exceptions and adjustments. The Town Board, by supermajority vote, approved the annual budget as well as the property tax levy to be assessed for the 2012 year.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. FUND EQUITY

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 shown.

	General Fund	Highway Fund	Passenger Facility Charges	Capital Projects Funds	Solid Waste	Other Governmental Funds	Total
Fund Balances:							
Nonspendable:							
Long-term receivables	\$ 437,302						\$ 437,302
Prepaid items	782,065	\$ 110,157			\$ 18,696	\$ 274,452	1,185,370
Total Nonspendable	1,219,367	110,157	\$ -0-	\$ -0-	18,696	274,452	1,622,672
Restricted for:							
Capital Projects				33,213,777			33,213,777
Recreation	273,733						273,733
Airport improvements/operations			5,862,165			1,965,178	7,827,343
Total Restricted	273,733	-0-	5,862,165	33,213,777	-0-	1,965,178	41,314,853
Assigned to:							
Purchases on order or contractual obligations	817,306	86,154			2,759	268,470	1,174,689
Debt service	613,809	457,766				237,551	1,309,126
Worker's Compensation	7,811,197						7,811,197
Judgments and claims	2,892,076						2,892,076
Insurance	2,718,303						2,718,303
Postemployment benefits	3,000,000	600,000				2,000,000	5,600,000
Subsequent year's budget	5,040,000					2,115,001	7,155,001
Special revenue funds					4,262,868	16,700,793	22,141,706
Total Assigned	22,892,691	1,178,045	-0-	-0-	4,265,627	21,321,815	50,802,098
Unassigned, reported in							
General Fund	10,568,988						10,568,988
Capital Projects				(3,028,559)			(3,028,559)
	10,568,988	-0-	-0-	(3,028,559)	-0-	-0-	7,540,429
Total Fund Balances	\$34,954,779	\$ 2,432,122	\$ 5,862,165	\$30,185,218	\$ 4,284,323	\$23,561,445	\$ 101,280,052

DEFICIT FUND EQUITY

The Capital Projects Fund deficit, in unassigned fund balance of \$3,028,559, resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated in subsequent years with the issuance of long-term bonds and operating transfers.

3. DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk – Deposits / Investments– Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

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

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

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At December 31, 2012, the Town's unrestricted cash book balances were \$277,008,334. The Town's unrestricted bank deposit balances were either entirely insured by the Federal Deposit Insurance Corporation or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the component units' name.

The Town's component units' cash book balances were \$3,836,471. The Town's component units' bank deposit balances were either entirely insured by the Federal Deposit Insurance Corporation or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the component units' name.

At December 31, 2012, the Islip Resource Recovery Agency's restricted cash book balances were \$10,732,072. Of this amount approximately \$8.66 million was not collateralized at year end. This balance was maintained in accordance with the terms of the bond indentures of the Islip Resource Recovery Agency and is not available for current operations.

At December 31, 2012, the Town's restricted investment balances were \$2,552,214. This account was maintained in accordance with the terms of the bond indentures of the Islip Resource Recovery Agency and is not available for current operations. These balances were either entirely insured by the Federal Deposit Insurance Corporation or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Agency's name. These investments consist of certificates of deposit and money market funds.

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, 2012, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at December 31, 2012 represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Amount Receivable	Amount Payable
Major Governmental Funds:		
General Fund	\$ 12,091,380	\$ 1,461,422
Highway Fund	9,665,709	1,200,160
Capital Projects Fund	186,498	153,387
Solid Waste Fund	13,080,549	244,003
Nonmajor Governmental Funds	5,528,123	3,523,424
Major Business-Type Funds:		
Town of Islip Foreign Trade Zone Authority		442,258
Islip Resource Recovery Agency	1,612,125	192,886
Fiduciary Funds:		
Agency Fund		34,867,756
Component Unit:		
Community Development Agency		79,088
Total	<u>\$ 42,164,384</u>	<u>\$ 42,164,384</u>

Interfund transfers for the primary government at December 31, 2012 represent amounts released from restrictions, amounts to be paid for debt services and budgeted transfers and are stated as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
Highway Fund	\$ 3,000,000	
Capital Projects Fund	1,035,000	\$ 115,607
Nonmajor Governmental Funds	115,607	4,035,000
Total	<u>\$ 4,150,607</u>	<u>\$ 4,150,607</u>

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
<u>Governmental activities:</u>				
Non-depreciable assets:				
Land and improvements	\$ 325,221,960			\$ 325,221,960
Total non-depreciable assets	325,221,960	\$ -0-	\$ -0-	325,221,960
Depreciable assets:				
Buildings and improvements	237,929,600	2,727,154	1,079,543	239,577,211
Machinery and equipment	62,640,224	1,842,366	3,247,303	61,235,287
Software	309,901	17,545		327,446
Infrastructure:				
Airport	239,223,405	16,472,350	1,402,875	254,292,880
Road network	326,900,367	7,175,394	351,890	333,723,871
Boardwalk and bulkheads	15,090,716	122,411	11,395	15,201,732
Drainage network	90,935,900	272,596	6,452,476	84,756,020
Water network	3,564,504			3,564,504
Total depreciable assets	976,594,617	28,629,816	12,545,482	992,678,951
Accumulated depreciation:				
Buildings and improvements	83,392,830	5,999,432	950,507	88,441,755
Machinery and equipment	35,990,083	5,291,057	3,230,641	38,050,499
Software	87,031	63,735		150,766
Infrastructure:				
Airport	175,009,739	8,278,719	1,402,875	181,885,583
Road network	226,626,121	11,595,732	351,890	237,869,963
Boardwalk and bulkheads	2,349,298	464,795	1,043	2,813,050
Drainage network	47,231,920	2,039,197	6,452,476	42,818,641
Water network	605,965	71,290		677,255
Total accumulated depreciation	\$ 571,292,987	\$ 33,803,957	\$ 12,389,432	592,707,512
Total net depreciable assets				399,971,439
Governmental activities capital assets, net				\$ 725,193,399
Depreciation expense was charged to governmental activities functions as follows:				
General governmental support				\$ 9,881,903
Public safety				443,355
Transportation				18,504,242
Economic assistance and opportunity				3,498
Culture and recreation				2,436,812
Home and community services				2,534,147
Total governmental activities depreciation expense				\$ 33,803,957

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12
<u>Business-Type activities:</u>				
Non-depreciable assets:				
Construction in progress	\$ 7,000		\$ 7,000	\$ -0-
Land	832,821			832,821
Total non-depreciable assets	839,821	\$ -0-	7,000	832,821
Depreciable assets:				
Clean fill facility	1,278,335			1,278,335
Landfill site improvements	924,180			924,180
Buildings	1,180,057			1,180,057
Leasehold improvements	847,738	106,503		954,241
Resource recovery facility	83,501,046			83,501,046
Intangibles	20,000	5,250		25,250
Machinery and equipment	7,222,737	130,221		7,352,958
Total depreciable assets	94,974,093	241,974	-0-	95,216,067
Accumulated depreciation				
Clean fill facility	1,278,335			1,278,335
Landfill site improvements	817,374	6,187		823,561
Buildings	853,424	19,191		872,615
Leasehold improvements	391,515	17,109		408,624
Resource recovery facility	64,005,616	3,340,042		67,345,658
Intangibles	7,505	3,020		10,525
Machinery and equipment	6,469,598	234,697		6,704,295
Total accumulated depreciation	\$ 73,823,367	\$ 3,620,246	\$ -0-	77,443,613
Total net depreciable assets				17,772,454
Business-Type activities capital assets, net				\$ 18,605,275
Depreciation expense was charged to enterprise funds as follows:				
Foreign Trade Zone Authority				\$ 28,102
Islip Resource Recovery Agency				3,586,378
Town of Islip Industrial Development Agency				5,766
Total business-type activities depreciation expense				\$ 3,620,246

The Town of Islip evaluates governmental activities and business-type activities for 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, the Town has recorded an impairment loss of approximately \$150,000.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	Balance 7/1/11	Additions	Deletions	Balance 6/30/12
<u>Discretely Presented Component Units</u>				
Non-depreciable assets:				
Construction in progress	\$ 1,082,058	\$ 59,590		\$ 1,141,648
Land	1,389,964			1,389,964
Total non-depreciable assets	2,472,022	59,590	\$ -0-	2,531,612
Depreciable assets:				
Buildings and improvements	5,793,507			5,793,507
Equipment	129,478			129,478
Total depreciable capital assets	5,922,985	-0-	-0-	5,922,985
Accumulated depreciation:				
Buildings, improvements and equipment	3,333,863	190,148		3,524,011
Total accumulated depreciation	\$ 3,333,863	\$ 190,148	\$ -0-	3,524,011
Total net depreciable assets				2,398,974
Total component units capital assets, net				\$ 4,930,586
Depreciation expense was charged to component units as follows:				
Home and community services				\$ 190,148

D. LAND AND BUILDING HELD FOR RESALE

Land and buildings held for resale – Land and buildings acquired for rehabilitation and held for resale are valued at the lower of cost or net realizable value.

A summary of changes in land and buildings held for resale for the discretely presented component units for the year ended June 30, 2012 is as follows:

	Balance 7/1/11	Increases	Reductions	Impairment	Balance 6/30/12
Land and building held for resale	\$ 9,368,164	\$ 719,764	\$ (506,291)	\$ (490,000)	\$ 9,091,637

E. INDEBTEDNESS

SHORT-TERM DEBT

Bond Anticipation Notes (BANs) – Bond anticipation notes (BANs) are used as a temporary means of financing capital expenditures in the Capital Projects Fund. 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.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

SHORT-TERM DEBT (continued)

Liabilities for BANs are generally accounted for in the Capital Projects Fund. BANs are expected to be paid from proceeds of future bond issues or renewal of the notes. The BAN has an interest rate of 0.59% and is due December 2013.

A summary of changes in BANs for the primary government for the year ended December 31, 2012 is as follows:

	Balance 1/1/12	Increases	Reductions	Balance 12/31/12
Bond Anticipation Note 12/14/2012	\$ 2,115,000		\$ (2,115,000)	\$ -0-
Bond Anticipation Note 12/13/2013	-0-	\$ 1,080,000		1,080,000
Bond Anticipation Note 02/03/2012	16,860,000		(16,860,000)	-0-
Bond Anticipation Notes	<u>\$ 18,975,000</u>	<u>\$ 1,080,000</u>	<u>\$ (18,975,000)</u>	<u>\$ 1,080,000</u>

LONG-TERM DEBT

General obligation bonds – The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

These long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 1.0% to 5.0% and have maturity dates in 2013 through 2027.

Summary of changes in long-term debt transactions for the year ended December 31, 2012 is as follows:

	Balance 1/1/12	Increases	Reductions	Balance 12/31/12	Non-current liabilities due within one year	Non-current liabilities due in more than one year
Governmental activities:						
General obligation bonds	\$ 126,205,000	\$ 63,440,000	\$ (46,575,000)	\$ 143,070,000	\$ 15,275,000	\$ 127,795,000
Plus premiums on issuance	1,136,283	3,366,120	(496,992)	4,005,411	740,246	3,265,165
Total general obligations bonds	127,341,283	66,806,120	(47,071,992)	147,075,411	16,015,246	131,060,165
Notes payable	6,025,574		(244,270)	5,781,304	247,413	5,533,891
Due to employee retirement system	1,493,094	3,135,493	(333,807)	4,294,780	632,353	3,662,427
Estimated liability for landfill closure and postclosure care costs	5,402,200		(29,350)	5,372,850	258,100	5,114,750
Estimated liability for self-insurance	11,252,486		(549,213)	10,703,273	535,164	10,168,109
Other postemployment benefit obligations	35,910,635	15,756,706	(8,907,275)	42,760,066		42,760,066
Compensated absences	9,607,878	1,203,319	(1,227,949)	9,583,248	479,162	9,104,086
Deferred (lag) payroll	161,260		(52,918)	108,342		108,342
Total governmental activities	<u>\$ 197,194,410</u>	<u>\$ 86,901,638</u>	<u>\$ (58,416,774)</u>	<u>\$ 225,679,274</u>	<u>\$ 18,167,438</u>	<u>\$ 207,511,836</u>
Business-Type activities:						
Revenue bonds	\$ 21,400,000		\$ (4,815,000)	\$ 16,585,000	\$ 4,995,000	\$ 11,590,000
Plus premiums on issuance	1,220,147		(198,685)	1,021,462		1,021,462
Less deferred loss on early retirement of debt	(81,833)		54,554	(27,279)		(27,279)
Revenue bonds, net	22,538,314		(4,959,131)	17,579,183	4,995,000	12,584,183
Estimated liability for landfill closure and postclosure care costs	33,676,108		(3,705,089)	29,971,019	2,357,000	27,614,019
Other postemployment benefit obligations	1,786,094	\$ 410,823		2,196,917		2,196,917
Compensated absences (A)	412,248	7,005		419,253		419,253
Deferred (lag) payroll (A)	3,188		(2,312)	876		876
Total business-type activities	<u>\$ 58,415,952</u>	<u>\$ 417,828</u>	<u>\$ (8,666,532)</u>	<u>\$ 50,167,248</u>	<u>\$ 7,352,000</u>	<u>\$ 42,815,248</u>

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

	Balance 7/1/11	Increases	Reductions	Balance 6/30/12	Non-current liabilities due within one year	Non-current liabilities due in more than one year
Discretely presented component units:						
Mortgages	\$ 251,217			\$ 251,217		\$ 251,217
U.S. Department of Housing and Urban Development bonds	1,050,000		\$ (120,000)	930,000	\$ 130,000	800,000
Other postemployment benefit obligations	234,409	\$ 270,554	(126,944)	378,019		378,019
Compensated absences	499,047	9,103		508,150	9,103	499,047
Total discretely presented component units	<u>\$ 2,034,673</u>	<u>\$ 279,657</u>	<u>\$ (246,944)</u>	<u>\$ 2,067,386</u>	<u>\$ 139,103</u>	<u>\$ 1,928,283</u>

Increases and reductions to compensated absences and deferred (lag) payroll are shown net, since it is impracticable to determine these amounts separately.

Future principal and interest payments to maturity for the general obligation bonds are as follows:

Primary governmental activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	\$ 15,275,000	\$ 4,566,561	\$ 19,841,561
2014	16,265,000	4,067,999	20,332,999
2015	16,900,000	3,496,768	20,396,768
2016	15,830,000	2,928,884	18,758,884
2017	14,375,000	2,418,121	16,793,121
2018 - 2022	45,130,000	6,373,851	51,503,851
2023 - 2027	19,295,000	1,113,093	20,408,093
Totals	<u>\$ 143,070,000</u>	<u>\$ 24,965,277</u>	<u>\$ 168,035,277</u>

Advance and current refunding of bonds - On August 21, 2012 the Town issued \$28,695,000 in Public Improvement Refunding Serial Bonds, at various rates of 2.000% to 4.000%, and a final maturity date of May 15, 2019 to advance refund \$16,330,000 2004 Serial Bonds with rates of 4.125% - 4.500% through 2019, and to current refund \$7,590,000 of 2001 Serial Bonds with rates of 4.500% - 4.750% through the year 2016, and \$6,895,000 of 1998A Serial Bonds with rates of 4.400% - 4.800% through 2017.

The net proceeds of \$31,702,710 (the par amount of the bonds plus a premium of \$3,127,224, and the Town's contributions of \$20,613 less underwriter's fees and other issuance costs of \$140,127) were used to buy U.S. Government Securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001, 2002 and 2004 serial bonds. As a result, the 2001, 2002 and 2004 bonds are considered to be defeased and the liability for those bonds removed from the non-current government liabilities. Of the refunded issues \$14,485,000 were called in 2012. The remaining \$16,330,000 in outstanding bonds from this issue are considered defeased.

The Town advance and current refunding refunded the 2001, 2002 and 2004 serial bonds to reduce its total debt service payments over the next seven years by \$3,013,020 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,934,283.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Revenue bonds – The Islip Resource Recovery Agency issues revenue bonds to finance its waste management resource recovery activities. Principal and interest payments on these bonds are paid from the fees collected by the Islip Resource Recovery Agency. These long-term liabilities bear interest at various rates from 5.00% to 5.15% and have maturity dates in 2013 through 2023.

Future principal and interest payments to maturity for the revenue bonds are as follows:

Primary business-type activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	\$ 4,995,000	\$ 905,688	\$ 5,900,688
2014	900,000	655,938	1,555,938
2015	945,000	610,938	1,555,938
2016	995,000	557,781	1,552,781
2017	1,050,000	501,813	1,551,813
2018 - 2022	6,230,000	1,537,550	7,767,550
2023	1,470,000	84,525	1,554,525
Totals	<u>\$ 16,585,000</u>	<u>\$ 4,854,233</u>	<u>\$ 21,439,233</u>

Notes payable – The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities bear interest at various rates from 0% to 10% and have maturity dates in 2013 through 2031.

Future principal and interest payments to maturity for the notes are as follows:

Primary governmental activities:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2013	\$ 247,413	\$ 450,264	\$ 697,677
2014	262,105	435,571	697,676
2015	277,898	419,778	697,676
2016	294,892	402,786	697,678
2017	313,191	384,485	697,676
2018 - 2022	1,895,192	1,593,190	3,488,382
2023 - 2027	1,280,344	957,002	2,237,346
2028 - 2031	1,210,269	206,717	1,416,986
Totals	<u>\$ 5,781,304</u>	<u>\$ 4,849,793</u>	<u>\$ 10,631,097</u>

Other long-term liabilities – Liabilities for landfill closure and postclosure care cost, self insurance, other postemployment benefits, compensated absences and deferred payroll are liquidated through future budgetary appropriations in the fund that gives rise to the liability, with a majority being liquidated through the General Fund.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

E. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Mortgages – Islip's Housing Development Fund Company, Inc. has entered into a mortgage agreement with the State of New York Housing Trust Fund Corporation to acquire residential rental buildings. This mortgage is secured by the residential rental buildings. The long-term liability bears interest at an uncompounded rate of 12% per annum and is payable on November 19, 2023.

Future principal and interest payments to maturity for the mortgages are as follows:

Discretely presented component unit:

	Principal	Interest	Total Principal and Interest
Years Ending June 30, 2013		\$ 30,146	\$ 30,146
2014		30,146	30,146
2015		30,146	30,146
2016		30,146	30,146
2017		30,146	30,146
2018 - 2022		150,730	150,730
2023 - 2024	\$ 251,217	60,292	311,509
Totals	<u>\$ 251,217</u>	<u>\$ 361,752</u>	<u>\$ 612,969</u>

U.S. Department of Housing and Urban Development bonds – The Town of Islip Community Development Agency has borrowed funds through a public offering by the U.S. Department of Housing and Urban Development pursuant to the Housing and Community Development Act of 1974. The proceeds were loaned to Touro College for its acquisition of the Bay Shore Mini-Center. This long-term liability bears interest at various rates from 4.95% to 6.72% and is payable through August 1, 2018.

Future principal and interest payments to maturity for the bonds are as follows:

Discretely presented component unit:

	Principal	Interest	Total Principal and Interest
Years Ending June 30, 2013	\$ 130,000	\$ 18,415	\$ 148,415
2014	140,000	16,918	156,918
2015	150,000	14,630	164,630
2016	160,000	11,520	171,520
2017	170,000	7,499	177,499
2018	180,000	2,619	182,619
Totals	<u>\$ 930,000</u>	<u>\$ 71,601</u>	<u>\$ 1,001,601</u>

Other long-term liabilities (discretely presented component units) – Compensated absences, represents the value of the earned and unused portion of the liability for vacation and sick pay.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM

Plan Description

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

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

Funding Policy

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

The Town is required to contribute at an actuarially determined rate. The actual contributions were equal to the actuarially required amounts and reflect credits and miscellaneous adjustments that represent modifications made by the ERS for prior year's contribution reconciliations.

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

Year Ended	Employees' Retirement System		
	Governmental Activities	Business-Type Activities	Total Primary Government
2012	\$ 8,733,404	\$ 321,769	\$ 9,055,173
2011	5,084,809	261,559	5,346,368
2010	4,401,686	181,382	4,583,068

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

The State Legislature authorized local governments to make available various retirement incentive programs and amortize certain contribution costs. During 2010, pursuant to Chapter 105 of the Laws of 2010, the Town participated in a retirement incentive program with an estimated total cost to the Town of \$1,936,472. The cost of the 2010 incentive program will be billed and paid over five years beginning in 2011 and will include interest at 5%. At December 31, 2012, the outstanding balance due to the System related to this retirement incentive was \$1,159,286.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

F. RETIREMENT SYSTEM (continued)

Future principal and interest payments for this incentive are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2013	\$ 358,843	\$ 86,945	\$ 445,788
2014	385,756	60,032	445,788
2015	414,687	31,101	445,788
Totals	<u>\$ 1,159,286</u>	<u>\$ 178,078</u>	<u>\$ 1,337,364</u>

Chapter 57 of the Laws of 2010 of the State of New York was enacted to allow local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent 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 one percent depending on 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 System's 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.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years, when the local employer opts to participate in the program. The total unpaid liability for the Town for the 2012 amortization year is \$3,135,493, and was recorded in the government-wide statements. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The Town has, for now, opted to amortize over the ten-year period. The interest rate will be established annually for each year's amortization and paid out of current resources. Future principal and interest payments to maturity for the amortization installments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2013	\$ 273,511	\$ 94,065	\$ 367,576
2014	281,716	85,859	367,575
2015	290,167	77,408	367,575
2016	298,872	68,703	367,575
2017	307,839	59,737	367,576
2018-2023	1,683,389	154,489	1,837,878
	<u>\$ 3,135,494</u>	<u>\$ 540,261</u>	<u>\$ 3,675,755</u>

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

G. SERVICE AWARD PROGRAM

Plan Description

The Town established a defined contribution Length of Service Awards Program (LOSAP) for the active volunteer ambulance workers of the Bay Shore Ambulance District, Brentwood Volunteer Ambulance District, Central Islip – Hauppauge Volunteer Ambulance District, Exchange Ambulance of the Islip's and Sayville Volunteer Ambulance District. The program took effect on January 1, 1997. The program was established pursuant to Article 11-AA of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer ambulance workers. The Town is the sponsor of the program.

Funding Policy

Active volunteer ambulance workers who have reached the age of 18 and who have completed one year of ambulance service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of ambulance service or upon attaining the program's entitlement age. The program's entitlement age is sixty-five. In general, an active ambulance worker is credited with a year of ambulance 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 sponsor on the basis of a statutory list of activities and point values.

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each ambulance district having members who participate in the program. Each ambulance district must maintain all required records and forms prescribed by the governing board. The governing board of the sponsor has retained and designated Penflex to assist in the administration of the program.

Program assets are required to be held in trust by LOSAP 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 program. The trustee is Glens Falls National Bank and Trust Company. The regular contribution amount is \$240 per member who meets the plan requirements for the year. The contribution owed for the 2012 plan year and the contributions made during 2012, including adjustments, are as follows:

Ambulance District	Estimated Contributions 2011 Plan Year	
	Owed for the 2012 Plan year	Contributions Made in 2012
Bay Shore Ambulance District	\$ 12,000	\$ 11,960
Brentwood Volunteer Ambulance District	10,500	10,457
Central Islip - Hauppauge Volunteer Ambulance District	2,200	2,200
Exchange Ambulance of the Islips	7,200	7,192
Sayville Volunteer Ambulance District	13,100	13,111

H. OTHER POSTEMPLOYMENT BENEFITS

In the government-wide and proprietary fund financial statements, the cost of other postemployment benefits (OPEB), like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future years when it will be paid. The Town recognizes the cost of other postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, which commenced with the 2007 liability.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Description

The Town, as a single-employer defined benefit OPEB, per its contracts with employees, will pay the full premium costs for the medical insurance coverage (fully insured through Empire) at retirement, provided the employee retired after January 1, 1986, had been employed with the Town for at least five consecutive years and the retiree is at least 55 years of age. The retiree and the spouse are also eligible for Medicare reimbursement in the amount of \$1,325 per year.

The union agreements will be negotiated at various times in the future. Healthcare benefits and Medicare reimbursements for non-union employees are similar to those of union employees. Upon death of a retiree, the Town will cease to pay any portion of the health insurance premium and Medicare reimbursement for the surviving spouse.

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
Active Employees	632	31	663
Retired Employees	669	10	679
Total	<u>1,301</u>	<u>41</u>	<u>1,342</u>

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

Funding Policy

The Town currently pays for other postemployment benefits on a pay-as-you-go basis. As of December 31, 2012, the Town has assigned \$5,600,000 of fund balance for postemployment benefits.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2012, the Town's annual other postemployment benefit cost (expense) was \$16,331,341, of which \$15,756,706 was related to governmental activities and \$574,635 was related to business-type activities. The payment of current health insurance premiums, totaled \$9,071,087 for retirees and their beneficiaries, of which \$8,907,275 was related to governmental activities and \$163,812 was related to business-type activities. The result was an increase in the other postemployment benefits liability of \$7,260,254, of which \$6,849,431 was related to governmental activities and \$410,823 was related to business-type activities for the year ended December 31, 2012. The other postemployment benefits cost for the component units for the year ended June 30, 2012 amounted to \$270,554. The annual expense, inclusive of current health insurance premiums, totaled \$126,944 for retirees and their beneficiaries; this resulted in an increase in the other postemployment benefits liability of \$143,610.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefit Obligations and Normal Cost

	Governmental Activities	Business- Type Activities	Total Primary Government
Actuarial Accrued Liability (AAL)			
Active employees	\$ 77,382,196	\$ 2,166,620	\$ 79,548,816
Retired employees	150,162,691	5,045,270	155,207,961
Unfunded actuarial accrued liability (UAAL)	<u>\$ 227,544,887</u>	<u>\$ 7,211,890</u>	<u>\$ 234,756,777</u>

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded actuarial accrued liability for the Town for the year ended December 31, 2012 amounted to \$234,756,777, of which \$227,544,887 was related to governmental activities and \$7,211,890, was related to business-type activities. The unfunded actuarial accrued liability for the component units for the year ended June 30, 2012 was \$3,627,284.

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

Level Percentage of Projected Pay Amortization
Calculation of ARC under the Entry Age Method

	Governmental Activities	Business-Type Activities	Total Primary Government
Normal cost	\$ 5,128,336	\$ 239,006	\$ 5,367,342
Amortization of unfunded actuarial liability (UAAL) over 30 years	10,463,816	329,687	10,793,503
Interest	445,541	19,471	465,012
Annual required contribution (ARC)	16,037,693	588,164	16,625,857
Interest on net OPEB obligation	1,436,425	71,444	1,507,869
Adjustment to ARC	(1,717,412)	(84,973)	(1,802,385)
Annual OPEB cost	15,756,706	574,635	16,331,341
Less: Contribution for year ended December 31, 2012	8,907,275	163,812	9,071,087
Increase in other postemployment benefits liability	6,849,431	410,823	7,260,254
Other postemployment benefits liability at December 31, 2011	35,910,635	1,786,094	37,696,729
Other postemployment benefits liability at December 31, 2012	<u>\$ 42,760,066</u>	<u>\$ 2,196,917</u>	<u>\$ 44,956,983</u>
Percent of annual OPEB cost contributed	56.53%	28.51%	55.54%

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress

The percentage contributed for the current year and the two preceding years were:

	Annual OPEB Cost	Annual Contribution Made	Percentage Contributed	Net OPEB Obligation
Governmental Activities:				
December 31, 2012	\$15,756,706	\$ 8,907,275	56.53%	\$42,760,066
December 31, 2011	15,172,812	8,323,975	54.86%	35,910,635
December 31, 2010	14,978,842	7,041,897	47.01%	29,061,798
Business-Type Activities:				
December 31, 2012	\$ 574,635	\$ 163,812	28.51%	\$ 2,196,917
December 31, 2011	548,376	157,410	28.70%	1,786,094
December 31, 2010	497,145	130,913	26.33%	1,395,128

The funded status of the plan as of January 1, 2012 for the primary government and the funded status of the plan as of December 31, 2011 for the discretely presented component unit, the last available valuation, is as follows:

	Actuarial Liability (AAL)	Actuarial Value of Plan Assets	Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a of Payroll
Governmental Activities:	\$ 227,544,887	\$ -0-	\$ 227,544,887	0.00%	\$ 33,058,095	688.32%
Business-Type Activities:	7,211,890	-0-	7,211,890	0.00%	2,185,659	329.96%
Component Unit:	3,627,284	-0-	3,627,284	0.00%	866,153	418.78%

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

Actuarial Methods and Assumptions

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

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

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

H. OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

In the January 1, 2011 actuarial valuation, the liabilities were computed using the entry age normal method for the primary government. The actuarial assumptions utilized a 4.0% discount rate and a 2.5% payroll growth rate. The valuation assumes a 10.0%, pre-65 members, and an 8%, post-65 members, healthcare cost trend increase for the year ended 2011 and reduced decrements to a rate of 5% after six years for pre-65 members and four years for post-65 members. The remaining amortization period at December 31, 2012 was 24 years.

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, and sick leave, subject to certain 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, 2012 the value of the accumulated vacation time and sick leave for governmental and business-type activities was \$10,002,501. As of June 30, 2012 the value of the accumulated vacation time and sick leave for the discretely presented component units was \$508,150.

J. LESSOR AGREEMENTS

Primary governmental activities:

The Town leases significant amounts of property to third parties for several purposes, those including the operations of the Islip MacArthur airport, concession operations and various general purpose operations. Future minimum rental payments the Town will receive as of December 31, 2012 for these leases are as follows:

Years Ending December 31, 2013	\$ 3,808,162
2014	3,791,756
2015	3,606,507
2016	3,482,083
2017	3,288,804
Thereafter	<u>66,321,910</u>
Totals	<u>\$ 84,299,222</u>

Primary business-type activities:

Land – The Town of Islip Foreign Trade Zone Authority sub-leases land to importers who wish to build warehouses on the said land and take advantage of the opportunities afforded a foreign trade zone. The following is a schedule, by years, of minimum future rentals at December 31, 2012 to be received on non-cancelable operating leases:

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3. DETAILED NOTES ON ALL FUNDS (continued)

J. LESSOR AGREEMENTS (continued)

Primary business-type activities: (continued)

Years Ending December 31, 2013	\$	414,281
2014		431,645
2015		443,639
2016		471,552
2017		482,848
Thereafter		<u>21,316,049</u>
Totals	\$	<u><u>23,560,014</u></u>

Annual Maintenance Fees – These sub-leases require lessees to pay monthly maintenance fees to cover maintenance costs that benefit all users to the Town of Islip Foreign Trade Zone Authority. The leases provide for maximum amounts lessees are required to pay.

The aggregate maximum annual maintenance fee payments to be received at December 31, 2012 are as follows:

Years Ending December 31, 2013	\$	109,861
2014		116,573
2015		121,599
2016		128,421
2017		184,679
Thereafter		<u>4,654,949</u>
Totals	\$	<u><u>5,316,082</u></u>

4. COMMITMENTS AND CONTINGENCIES

A. LITIGATION

The Town is a defendant in various lawsuits. Based on the opinion of the Office of the Town Attorney and outside counsel, the Town has meritorious defenses although the outcome in these matters is uncertain. The Town has determined that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

B. SELF-INSURANCE PROGRAM

In common with other municipalities, the Town receives numerous notices of claims. The Town established a self-insurance risk management program for general liability and workers' compensation, which is accounted for in the General Fund. With respect to those insurance needs which are being self-insured, the Town is self-insured for workers' compensation insurance up to \$1,000,000 per occurrence with insurance protection coverage up to \$25,000,000 per occurrence. With respect to General Liability, the Town maintains a self-insured retention of \$700,000. The Town then has an excess policy that picks up any liability that goes over that amount, but is capped at \$2,000,000 for a single occurrence and \$4,000,000 yearly aggregate. The MacArthur Airport and Bayport Aerodrome are self-insured up to \$5,000 per occurrence with insurance protection coverage up to \$150,000,000. 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 Town is self-insured for property protection on the first \$100,000 per loss with insurance protection coverage of up to \$100,000,000 for any one loss.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

B. SELF-INSURANCE PROGRAM (continued)

The liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities do not include an amount for claims that have been incurred but not reported. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of the claims, and other economic and social factors.

Changes in the liability for claims and judgments for the year ended December 31, 2012 are as follows:

	Workers' Compensation		General Liability	
	2012	2011	2012	2011
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 8,506,391	\$ 8,824,481	\$ 2,746,094	\$ 2,959,521
Insured claims and claim adjustment expenditures:				
Provision for the insured events of the current year and increases or decreases in provision for insured events of prior years	(192,867)	1,521,506	526,699	781,842
Total incurred claims and claim adjustment expenditures	(192,867)	1,521,506	526,699	781,842
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	502,327	1,839,596	380,717	995,269
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 7,811,197	\$ 8,506,391	\$ 2,892,076	\$ 2,746,094

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on landfill sites and to perform certain maintenance and monitoring activities at landfill sites for at least thirty years after closure. There are currently four landfill locations; two have been capped and closed, one is inactive and one landfill, a cleanfill landfill (Phase I and Phase II), is currently active. The New York State Department of Environmental Conservation (NYSDEC) has classified the inactive site as non-hazardous, and is currently being closed and capped. Of the four landfills, one of the capped and closed landfills, Sonia Road Landfill, is reported in governmental activities, and the other three landfills are reported as business-type activities in the government-wide financial statements. The recognition of these landfill closure and postclosure care costs is based on the amounts of the landfill percent usage during the year.

As of December 31, 2012, the Town has recorded a liability of \$35,343,869 which represents the provision to be made in future budgets for unfunded closure and postclosure landfill monitoring and maintenance costs, \$5,372,850 is reported in governmental activities and \$29,971,019 is recorded in business-type activities. The detail of these liabilities can be seen in the summary of changes in long-term debt transactions in note 3. E.

The Sonia Road Landfill, recognized in the governmental wide statements, has recorded its liability based on 100% capacity. There are no additional liability of closure and postclosure remaining to be recognized. The landfill stopped receiving waste in 1977, was capped in 2000 and postclosure officially commenced in August 2004.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (continued)

The one active cleanfill site, recorded in the business-type activities, is currently at 90.54% of total capacity for Phase 1, and 93.14% of total capacity for Phase II. It is estimated that an additional \$1,435,079 will be recognized as closure and postclosure care costs between December 31, 2012 and 2015, when the site is expected to be filled to its total capacity. The New York State Environmental Conservation Law provides for State assistance payments of 50% or \$2 million, whichever is less, of the approved costs of municipal landfill closures. Accordingly, the Islip Resource Recovery Agency has reduced its liability by a total of \$4,000,000 for the two sites that are not yet closed.

Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

D. LOCAL GOVERNMENT GUARANTEE

Pursuant to the Local Government Guarantee made by the Town to the New York State Department of Environmental Conservation and the Islip Resource Recovery Agency, the total estimated closure and postclosure landfill monitoring and maintenance liability of \$29,373,350, has been guaranteed by the Town. The guarantee consists of the Blydenburgh Road Landfill Complex, Cleanfill Landfill Phase 1, NYSDEC permit #1-4728-00628/00017 for \$9,581,000, Blydenburgh Road Landfill Complex, Cleanfill Landfill Phase 2, NYSDEC permit #1-4728-00628/00017 for \$13,565,100, and the MacArthur Resource Recovery Facility, NYSDEC permit #1-4728-00185100013 for \$6,227,250.

E. RESOURCE RECOVERY FACILITY

The Town has entered into an operating agreement, which expires on March 10, 2030 with Covanta Holding Corporation (Covanta) to operate the MacArthur Resources Recovery Agency (the Facility). Under this agreement Covanta will receive a service fee. The service fee consists of base, ash management and operating fees, which are based upon the tons of municipal solid waste processed plus 85% of the revenues from the sale of recovered material, 25% of the revenues from the sale of electricity up to a threshold amount of 53,152,847 KWH. Covanta also receives 50% of the revenues from the sale of any additional electricity sold each year. The Town is not charged for the first 25,000 tons of municipal solid waste transferred through the Station in any calendar year and \$2 for each additional ton, in excess of 25,000 tons, transferred during the remainder of the year. The Islip Resource Recovery Agency also reimburses Covanta for "pass-through costs" which consists of certain insurance costs, LIPA charges, fees and expenses incurred for bonds and taxes.

F. POLLUTION REMEDIATION OBLIGATIONS

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

The Town:

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

As of December 31, 2012, the Town has not identified any pollution remediation obligations and therefore no liability has been recorded on the Statement of Net Position.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

4. COMMITMENTS AND CONTINGENCIES (continued)

G. GRANTS

The Town has received grants which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State Government. Based on past experience, the Town administration believes disallowance, if any, will be immaterial.

H. OPERATING LEASE COMMITMENTS

Primary governmental activities:

The Town of Islip has several commitments with other entities to lease various property and equipment, classified as operating leases. For the year ended December 31, 2012, these leases amounted to approximately \$214,298. Future minimum lease payments for these non-cancelable operating leases with terms in excess of one year are as follows:

Years Ending December 31, 2013	\$ 182,918
2014	49,455
2015	29,906
2016	3,279
2017	2,529
2018-2019	<u>3,583</u>
Totals	<u>\$ 271,670</u>

Primary business-type activities:

Land – The Town of Islip Foreign Trade Zone Authority leases land from the Town of Islip under an operating lease which expires in 2051. The Authority, as part of the lease agreement, pays one hundred percent (100%) of the net income and profits derived from the business conducted on the demised premises under any sub-leasing arrangements. The rent expense to the Town of Islip for the period ending December 31, 2012 was \$69,764.

5. SUBSEQUENT EVENTS

On May 23, 2013, the Town issued \$9,170,000 in Bond Anticipation Notes (BANs), at an interest rate of 1.00% maturing on September 11, 2013. The proceeds will be used for various capital projects.

On September 10, 2013, the Town issued \$17,230,000 in general obligation bonds bearing interest rates ranging from 2.00% to 4.00% maturing on March 1, 2026. The proceeds was used to redeem \$9,170,000 of BANs and also provided \$8,060,000 in new money for various capital projects.

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

6. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED COMPONENT UNITS

The following represents condensed financial statements for the discretely presented component units as of and for the year ended June 30, 2012:

Condensed Statement of Net Position:

	Town of Islip Community Development Agency	Islip's Housing Development Fund Company, Inc.	Total
Assets			
Current and Other Assets	\$ 27,188,310	\$ 1,394,699	\$ 28,583,009
Capital Assets, net of depreciation	2,298,310	2,632,276	4,930,586
Total Assets	<u>29,486,620</u>	<u>4,026,975</u>	<u>33,513,595</u>
Liabilities			
Current Liabilities	1,142,825	93,519	1,236,344
Non-current Liabilities	1,677,066	812,264	2,489,330
Total Liabilities	<u>2,819,891</u>	<u>905,783</u>	<u>3,725,674</u>
Net Position			
Net investment in capital assets	2,298,310	1,725,687	4,023,997
Restricted	23,022,903	756,691	23,779,594
Unrestricted	1,345,516	638,814	1,984,330
Total Net Position	<u>\$ 26,666,729</u>	<u>\$ 3,121,192</u>	<u>\$ 29,787,921</u>

Condensed Statement of Activities:

	Town of Islip Community Development Agency	Islip's Housing Development Fund Company, Inc.	Total
Program Expenses			
Expenses	\$ 7,167,163	\$ 953,086	\$ 8,120,249
Total Program Expenses	<u>7,167,163</u>	<u>953,086</u>	<u>8,120,249</u>
Program Revenues			
Charges for services	1,075,735	459,363	1,535,098
Operating grants	7,582,255	345,445	7,927,700
Total Program Revenues	<u>8,657,990</u>	<u>804,808</u>	<u>9,462,798</u>
Net Revenue	<u>1,490,827</u>	<u>(148,278)</u>	<u>1,342,549</u>
Other Revenue (Expense)			
Interest and investment earnings	6,615	2,170	8,785
Impairment loss	(490,000)		(490,000)
Total General Revenue	<u>(483,385)</u>	<u>2,170</u>	<u>(481,215)</u>
Change in Net Position	<u>1,007,442</u>	<u>(146,108)</u>	<u>861,334</u>
Net Position			
Beginning of year	25,659,287	3,267,300	28,926,587
End of year	<u>\$ 26,666,729</u>	<u>\$ 3,121,192</u>	<u>\$ 29,787,921</u>

TOWN OF ISLIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

6. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED COMPONENT UNITS (continued)

Complete financial statements for the individual component units can be obtained at their respective administrative offices at the following addresses:

Town of Islip Community Development Agency
15 Shore Lane
Bay Shore, New York 11706

Islip's Housing Development Fund Company, Inc.
15 Shore Lane
Bay Shore, New York 11706

7. SPECIAL EVENT/IMPAIRMENT LOSS

The Town of Islip Community Development Agency's land and buildings held for sale are recorded on a cost basis. GAAP requires such assets to be recorded at the lower of cost or market value. During the year ended June 30, 2012, management determined the Agency's property held for sale was impaired. Accordingly, an impairment loss was recorded in the amount of \$490,000 to properly reduce the land and buildings held for sale to their estimated fair value.

8. NEW PRONOUNCEMENTS

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65 *"Items Previously Reported as Assets and Liabilities"*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2012.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 66 *"Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62"*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 *"Accounting and Financial Reporting for Pensions"* – an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

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

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

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

Schedule of Funding Progress for Other
Postemployment Benefits

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - 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 may be made.

Note 2 – Budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The Town is not legally required to adopt an annual budget for the Passenger Facility Charges Fund and Capital Fund. Therefore, budget comparison information is not included in the Town's financial statements.

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 25,307,990	\$ 25,307,990	\$ 25,307,990	\$ -0-
Other real property tax items	945,000	945,000	1,018,358	73,358
Non-property tax items	5,300,000	5,300,000	5,541,718	241,718
Departmental income	9,078,221	9,210,042	9,062,821	(147,221)
Intergovernmental charges	10,957,632	10,957,632	9,088,957	(1,868,675)
Use of money and property	1,098,450	1,098,450	1,127,964	29,514
Licenses and permits	487,000	487,000	587,954	100,954
Fines and forfeitures	507,000	507,000	578,900	71,900
Sale of property and compensation for loss	166,000	166,000	336,355	170,355
Miscellaneous local sources	2,308,253	3,384,668	3,422,606	37,938
Interfund revenues	4,200,987	4,200,987	4,200,987	-0-
State aid	8,365,013	7,399,303	7,196,576	(202,727)
Federal aid	280,000	458,915	2,528,740	2,069,825
Total Revenues	69,001,546	69,422,987	69,999,926	576,939
EXPENDITURES				
General government support	23,285,097	22,547,112	20,222,491	2,324,621
Public safety	7,818,958	8,967,827	8,067,618	900,209
Health	1,968,727	2,195,837	1,647,766	548,071
Economic assistance and opportunity	3,445,112	3,446,590	2,836,403	610,187
Culture and recreation	13,268,422	14,018,902	12,814,506	1,204,396
Home and community services	4,415,611	4,734,938	4,313,138	421,800
Employee benefits	24,380,977	23,144,734	21,838,543	1,306,191
Debt service:				
Principal	7,335,295	7,919,234	7,909,159	10,075
Interest	2,444,129	2,433,928	2,293,958	139,970
Bond issuance costs	90,000	214,667	214,667	-0-
Total Expenditures	88,452,328	89,623,769	82,158,249	7,465,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,450,782)</u>	<u>(20,200,782)</u>	<u>(12,158,323)</u>	<u>8,042,459</u>
Other Financing Sources (Uses)				
Premiums on obligations			2,092,391	2,092,391
Refunding bonds issued			18,153,053	18,153,053
Debt service - principal			(9,024,391)	(9,024,391)
Payments to refunded bond escrow agent			(11,038,974)	(11,038,974)
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>182,079</u>	<u>182,079</u>
Net Change in Fund Balance	<u>\$ (19,450,782)</u>	<u>\$ (20,200,782)</u>	<u>(11,976,244)</u>	<u>\$ 8,224,538</u>
Fund Balance at Beginning of Year			<u>46,931,023</u>	
Fund Balance at End of Year			<u>\$ 34,954,779</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 16,315,113	\$ 16,315,113	\$ 16,315,113	\$ -0-
Other real property tax items	255,000	255,000	392,506	137,506
Departmental income	120,000	120,000	142,659	22,659
Intergovernmental charges	345,000	345,000	440,182	95,182
Use of money and property	90,000	90,000	31,177	(58,823)
Licenses and permits	110,000	110,000	140,163	30,163
Sale of property and compensation for loss			11,968	11,968
Miscellaneous local sources			26,253	26,253
State aid	1,400,000	2,699,448	1,206,625	(1,492,823)
Federal aid		6,097,932	8,214,465	2,116,533
Total Revenues	<u>18,635,113</u>	<u>26,032,493</u>	<u>26,921,111</u>	<u>888,618</u>
EXPENDITURES				
General government support	170,341	170,342	129,719	40,623
Transportation	12,045,339	20,263,569	18,927,608	1,335,961
Employee benefits	4,283,024	4,539,854	4,149,572	390,282
Debt service:				
Principal	4,910,988	5,533,289	5,533,289	-0-
Interest	1,661,235	1,684,984	1,643,236	41,748
Bond issuance costs		42,591	42,591	-0-
Total Expenditures	<u>23,070,927</u>	<u>32,234,629</u>	<u>30,426,015</u>	<u>1,808,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,435,814)</u>	<u>(6,202,136)</u>	<u>(3,504,904)</u>	<u>2,697,232</u>
Other Financing Sources (Uses)				
Transfers in	3,000,000	3,000,000	3,000,000	-0-
Premiums on obligations			1,064,415	1,064,415
Refunding bonds issued			8,721,759	8,721,759
Debt service - principal			(4,971,849)	(4,971,849)
Payments to refunded bond escrow agent			(4,657,830)	(4,657,830)
Total Other Financing Sources (Uses)	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,156,495</u>	<u>156,495</u>
Net Change in Fund Balance	<u>\$ (1,435,814)</u>	<u>\$ (3,202,136)</u>	<u>(348,409)</u>	<u>\$ 2,853,727</u>
Fund Balance at Beginning of Year			<u>2,780,531</u>	
Fund Balance at End of Year			<u>\$ 2,432,122</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 38,813,949	\$ 38,813,949	\$ 38,820,290	\$ 6,341
Other real property tax items	3,636,440	3,636,440	3,636,440	-0-
Use of money and property	210,000	210,000	108,994	(101,006)
Miscellaneous local sources			49,124	49,124
State aid			1,559	1,559
Federal aid			95,001	95,001
Total Revenues	<u>42,660,389</u>	<u>42,660,389</u>	<u>42,711,408</u>	<u>51,019</u>
EXPENDITURES				
General government support	1,664,862	1,659,343	1,659,265	78
Home and community services	40,676,391	41,374,600	40,480,134	894,466
Employee benefits	369,567	426,877	425,481	1,396
Total Expenditures	<u>42,710,820</u>	<u>43,460,820</u>	<u>42,564,880</u>	<u>895,940</u>
Net Change in Fund Balance	<u>\$ (50,431)</u>	<u>\$ (800,431)</u>	146,528	<u>\$ 946,959</u>
Fund Balance at Beginning of Year			4,137,795	
Fund Balance at End of Year			<u>\$ 4,284,323</u>	

TOWN OF ISLIP
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
Year Ended December 31, 2012

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental Activities						
1/1/2012	\$ 227,544,887	\$ -0-	\$ 227,544,887	0.00%	\$ 33,058,095	688.32%
1/1/2011	221,953,806	-0-	221,953,806	0.00%	32,251,800	688.19%
1/1/2010	199,073,114	-0-	199,073,114	0.00%	38,484,710	517.28%
1/1/2009	191,961,497	-0-	191,961,497	0.00%	37,546,059	511.27%
1/1/2007	159,618,831	-0-	159,618,831	0.00%	N/A	N/A
Business-Type Activities						
1/1/2012	\$ 7,211,890	\$ -0-	\$ 7,211,890	0.00%	\$ 2,185,659	329.96%
1/1/2011	6,855,686	-0-	6,855,686	0.00%	2,132,350	321.51%
1/1/2010	5,907,613	-0-	5,907,613	0.00%	1,439,743	410.32%
1/1/2009	5,892,872	-0-	5,892,872	0.00%	1,404,627	419.53%
1/1/2007	5,892,872	-0-	5,892,872	0.00%	N/A	N/A

OTHER SUPPLEMENTARY INFORMATION

Combining Statements - Nonmajor Governmental Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Nonmajor Governmental Funds and Schedules

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Note 1 - 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 may be made.

TOWN OF ISLIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

Special Revenue Funds						
	Town		Airport		Park Improvement	
	Outside Village				Special Districts	
						Total
ASSETS						
Cash and cash equivalents	\$	10,363,977	\$	2,308,905	\$	16,425,278
Accounts receivable, net				559,312		396,656
Due from federal, state and other governments				9,513		320,098
Due from fiduciary funds		18,908				5,323,405
Due from other funds				21,898		163,912
Prepays				148,919		35,415
Total Assets	\$	10,473,003	\$	3,048,547	\$	22,664,764
						\$ 36,599,762
LIABILITIES						
Accounts payable	\$	56,052	\$	140,795	\$	471,019
Accrued liabilities		86,743		256,012		47,952
Due to other governments						1,313,946
Due to enterprise funds				1,489		1,489
Due to other funds		3,124,747		195,020		202,168
Deferred revenue		57,783				7,084,591
Total Liabilities		3,325,325		593,316		9,119,676
					-0-	7,142,374
						13,038,317
FUND BALANCES						
Non-spendable						
Prepays		90,118		148,919		35,415
Restricted						
Airport improvements/operations				1,965,178		1,965,178
Assigned						
Purchases on order or contractual obligations						
Debt service		23,137		168,895		76,438
Postemployment benefits				172,239		65,312
Subsequent year's budget		2,000,000				
Special revenue funds		835,837				1,279,164
		4,198,586				12,088,759
Total Fund Balances		7,147,678		2,455,231		13,545,088
					413,448	413,448
Total Liabilities and Fund Balances	\$	10,473,003	\$	3,048,547	\$	22,664,764
						\$ 36,599,762

TOWN OF ISLIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2012

Special Revenue Funds						
	Town Outside Village	Community Development	Airport	Park Improvement	Special Districts	Total
REVENUES						
Real property taxes	\$ 434,904				\$ 17,159,283	\$ 17,594,187
Other real property tax items	15,648				266,021	281,669
Departmental income	4,914,063		\$ 11,877,844	\$ 11,205	2,298,954	19,102,066
Intergovernmental charges					5,988	5,988
Use of money and property					86,228	146,158
Fines and forfeitures	50,881		9,049			1,078,726
Sale of property and compensation for loss	1,075,626		3,100			197,700
Miscellaneous local sources	132,268		7,231		58,201	378,004
State aid	5,618		371,088		1,298	1,808,776
Federal aid	1,798,203		591		9,982	6,559,499
	910	\$ 6,491,757	11,285		55,547	
Total Revenues	8,428,121	6,491,757	12,280,188	11,205	19,941,502	47,152,773
EXPENDITURES						
General government support	1,004,406		97,895		1,412,027	2,514,328
Public safety	1,581,921				1,664,005	3,245,926
Health	181,247				6,432,810	6,614,057
Transportation			9,245,283		2,922,444	12,167,727
Culture and recreation					425,840	425,840
Home and community services	1,619,861	6,491,757			3,965,159	12,076,777
Employee benefits	2,786,129		3,635,815		235,349	6,657,293
Debt service:						
Principal	579,778		760,311		333,133	1,673,222
Interest	193,762		611,244		164,376	969,382
Bond issuance costs	4,944				3,945	8,889
	7,952,048	6,491,757	14,350,548	-0-	17,559,088	46,353,441
Total Expenditures	476,073	-0-	(2,070,360)	11,205	2,382,414	799,332
Excess (Deficiency) of Revenues Over (Under) Expenditures						
Other Financing Sources (Uses)						
Transfers in	34,335				81,272	115,607
Premiums on obligations	121,275				88,039	209,314
Refunding bonds issued	1,012,355				807,833	1,820,188
Debt service - principal	(488,760)				(891,927)	(488,760)
Payments to refunded bond escrow agent	(628,979)				(1,520,906)	(1,520,906)
Transfers out	(3,000,000)				(1,035,000)	(4,035,000)
	(2,949,774)	-0-	-0-	-0-	(949,783)	(3,899,557)
Total Other Financing Sources (Uses)	(2,473,701)	-0-	(2,070,360)	11,205	1,432,631	(3,100,225)
Net Change in Fund Balance						
Fund Balances at Beginning of Year	9,621,379	-0-	4,525,591	402,243	12,112,457	26,661,670
Fund Balances at End of Year	\$ 7,147,678	\$ -0-	\$ 2,455,231	\$ 413,448	\$ 13,545,088	\$ 23,561,445

TOWN OF ISLIP
COMBINING BALANCE SHEET
NONMAJOR SPECIAL DISTRICT FUNDS
December 31, 2012

	Special Revenue Funds							
	Ambulance Districts	Fire Protection Districts	Street Lighting Districts	Erosion Control Districts	Lifeguard District	Water Districts	Miscellaneous Districts	Total
ASSETS								
Cash and cash equivalents	\$ 2,889,412	\$ 388,553	\$ 4,214,127	\$ 1,477,420	\$ 32,709	\$ 6,765,844	\$ 657,213	\$ 16,425,278
Accounts receivable, net			1,298			395,358		396,656
Due from federal, state and other governments			39,067			281,031		320,098
Due from fiduciary funds	2,180,739	547,565	1,320,926	337,745	186,639	608,260	141,531	5,323,405
Due from other funds				81,272	82,640			163,912
Prepays			1,460		33,955			35,415
Total Assets	\$ 5,070,151	\$ 936,118	\$ 5,576,878	\$ 1,896,437	\$ 335,943	\$ 8,050,493	\$ 798,744	\$ 22,664,764
LIABILITIES								
Accounts payable								
Accrued liabilities								
Due to other governments	\$ 45,000		\$ 417,000	\$ 37,279	\$ 4,697	\$ 1,543	\$ 12,043	\$ 471,019
Due to other funds			1,409			1,313,946		47,952
Deferred revenues								1,313,946
			183,319	7,986	10,863			202,168
	2,899,528	\$ 730,098	1,757,193	450,333	248,856	809,872	188,711	7,084,591
Total Liabilities	2,944,528	730,098	2,358,921	495,598	284,416	2,125,361	200,754	9,119,676
FUND BALANCES								
Non-spendable			1,460					35,415
Prepays								
Assigned								
Purchases on order or contractual obligations			38,427	35,769	80	2,013	149	76,438
Debt service							65,312	65,312
Subsequent year's budget	472,200	36,000	35,500	489,758	30,000	175,856	39,850	1,279,164
Special revenue funds	1,653,423	170,020	3,142,570	875,312	7,492	5,747,263	492,679	12,088,759
Total Fund Balances	2,125,623	206,020	3,217,957	1,400,839	71,527	5,925,132	597,990	13,545,088
Total Liabilities and Fund Balances	\$ 5,070,151	\$ 936,118	\$ 5,576,878	\$ 1,896,437	\$ 335,943	\$ 8,050,493	\$ 798,744	\$ 22,664,764

TOWN OF ISLIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL DISTRICT FUNDS
Year Ended December 31, 2012

	Special Revenue Funds							
	Ambulance Districts	Fire Protection Districts	Street Lighting Districts	Erosion Control Districts	Lifeguard District	Water Districts	Miscellaneous Districts	Total
REVENUES								
Real property taxes	\$ 6,923,090	\$ 1,746,398	\$ 4,417,381	\$ 1,018,000	\$ 597,534	\$ 1,997,220	\$ 459,660	\$ 17,159,283
Other real property tax items	144,039		101,410			20,572		266,021
Departmental income						2,298,954		2,298,954
Intergovernmental charges						5,988		5,988
Use of money and property	19,855	2,941	20,616	10,257	1,682	27,758	3,119	86,228
Sale of property and compensation for loss			58,201					58,201
Miscellaneous local sources			1,298					1,298
State aid			46,041	5,024			4,958	9,982
Federal aid				9,506				55,547
Total Revenues	7,086,984	1,749,339	4,644,947	1,042,787	599,216	4,350,492	467,737	19,941,502
EXPENDITURES								
General government support	400,427	112,976	390,159	130,635	45,496	298,268	34,066	1,412,027
Public safety		1,664,005						1,664,005
Health	6,400,940						31,870	6,432,810
Transportation			2,913,869				8,575	2,922,444
Culture and recreation					423,340		2,500	425,840
Home and community services				137,586		3,615,989	211,584	3,965,159
Employee benefits	45,000		65,629		115,887	8,833		235,349
Debt Service:								
Principal			33,059			164,259	135,815	333,133
Interest			19,376	21,150		85,948	37,902	164,376
Bond issuance cost							3,945	3,945
Total Expenditures	6,846,367	1,776,981	3,422,092	289,371	584,723	4,173,297	466,257	17,559,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,617	(27,642)	1,222,855	753,416	14,493	177,195	1,480	2,382,414
Other Financing Sources (Uses)								
Transfers in				81,272				81,272
Premiums on obligations							88,039	88,039
Refunding bonds issued							807,833	807,833
Payments to refunded bond escrow agent							(891,927)	(891,927)
Transfers out				(1,035,000)				(1,035,000)
Total Other Financing Sources (Uses)	-0-	-0-	-0-	(953,728)	-0-	-0-	3,945	(949,783)
Net Change in Fund Balance	240,617	(27,642)	1,222,855	(200,312)	14,493	177,195	5,425	1,432,631
Fund Balances at Beginning of Year	1,885,006	233,662	1,995,102	1,601,151	57,034	5,747,937	592,565	12,112,457
Fund Balances at End of Year	\$ 2,125,623	\$ 206,020	\$ 3,217,957	\$ 1,400,839	\$ 71,527	\$ 5,925,132	\$ 597,990	\$ 13,545,088

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TOWN OUTSIDE VILLAGE FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 434,904	\$ 434,904	\$ 434,904	\$ -0-
Other real property tax items	34,000	34,000	15,648	(18,352)
Departmental income	3,883,000	3,883,000	4,914,063	1,031,063
Use of money and property	93,000	93,000	50,881	(42,119)
Fines and forfeitures	1,000,000	1,037,656	1,075,626	37,970
Sale of property and compensation for loss	110,000	110,000	132,268	22,268
Miscellaneous local sources	2,300	2,300	5,618	3,318
State aid	1,500,000	1,500,000	1,798,203	298,203
Federal aid			910	910
Total Revenues	<u>7,057,204</u>	<u>7,094,860</u>	<u>8,428,121</u>	<u>1,333,261</u>
EXPENDITURES				
General government support	966,127	1,103,783	1,004,406	99,377
Public safety	1,662,906	1,667,386	1,581,921	85,465
Health	204,600	205,581	181,247	24,334
Home and community services	1,675,054	1,722,815	1,619,861	102,954
Employee benefits	3,243,674	3,152,439	2,786,129	366,310
Debt Service:				
Principal	545,407	579,778	579,778	-0-
Interest	202,653	201,351	193,762	7,589
Bond issuance costs		4,944	4,944	-0-
Total Expenditures	<u>8,500,421</u>	<u>8,638,077</u>	<u>7,952,048</u>	<u>686,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,443,217)</u>	<u>(1,543,217)</u>	<u>476,073</u>	<u>2,019,290</u>
Other Financing Sources (Uses)				
Transfers in	41,000	41,000	34,335	(6,665)
Premiums on obligations			121,275	121,275
Refunding bonds issued			1,012,355	1,012,355
Debt service - principal			(488,760)	(488,760)
Payments to refunded bond escrow agent			(628,979)	(628,979)
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)	-0-
Total Other Financing Sources (Uses)	<u>(2,959,000)</u>	<u>(2,959,000)</u>	<u>(2,949,774)</u>	<u>9,226</u>
Net Change in Fund Balance	<u>\$ (4,402,217)</u>	<u>\$ (4,502,217)</u>	<u>(2,473,701)</u>	<u>\$ 2,028,516</u>
Fund Balance at Beginning of Year			<u>9,621,379</u>	
Fund Balance at End of Year			<u>\$ 7,147,678</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Departmental income	\$ 12,891,100	\$ 13,338,569	\$ 11,877,844	\$ (1,460,725)
Use of money and property	31,000	31,000	9,049	(21,951)
Fines and forfeitures	1,500	1,500	3,100	1,600
Sale of property and compensation for loss			7,231	7,231
Miscellaneous local sources			371,088	371,088
State aid			591	591
Federal aid			11,285	11,285
Total Revenues	<u>12,923,600</u>	<u>13,371,069</u>	<u>12,280,188</u>	<u>(1,090,881)</u>
EXPENDITURES				
General government support	123,685	98,262	97,895	367
Transportation	9,813,685	9,630,929	9,245,283	385,646
Employee benefits	3,231,321	3,639,500	3,635,815	3,685
Debt Service:				
Principal	690,839	760,311	760,311	-0-
Interest	233,247	611,244	611,244	-0-
Total Expenditures	<u>14,092,777</u>	<u>14,740,246</u>	<u>14,350,548</u>	<u>389,698</u>
Net Change in Fund Balance	<u>\$ (1,169,177)</u>	<u>\$ (1,369,177)</u>	<u>(2,070,360)</u>	<u>\$ (701,183)</u>
Fund Balance at Beginning of Year			<u>4,525,591</u>	
Fund Balance at End of Year			<u>\$ 2,455,231</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AMBULANCE DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 6,923,090	\$ 6,923,090	\$ 6,923,090	\$ -0-
Other real property tax items	84,300	84,300	144,039	59,739
Use of money and property	34,910	34,910	19,855	(15,055)
Total Revenues	<u>7,042,300</u>	<u>7,042,300</u>	<u>7,086,984</u>	<u>44,684</u>
EXPENDITURES				
General government support	400,427	400,427	400,427	-0-
Health	7,134,273	7,134,273	6,400,940	733,333
Employee benefits	76,000	76,000	45,000	31,000
Total Expenditures	<u>7,610,700</u>	<u>7,610,700</u>	<u>6,846,367</u>	<u>764,333</u>
Net Change in Fund Balance	<u>\$ (568,400)</u>	<u>\$ (568,400)</u>	240,617	<u>\$ 809,017</u>
Fund Balance at Beginning of Year			<u>1,885,006</u>	
Fund Balance at End of Year			<u>\$ 2,125,623</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE PROTECTION DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 1,746,398	\$ 1,746,398	\$ 1,746,398	\$ -0-
Use of money and property	7,150	7,150	2,941	(4,209)
Total Revenues	<u>1,753,548</u>	<u>1,753,548</u>	<u>1,749,339</u>	<u>(4,209)</u>
EXPENDITURES				
General government support	112,976	112,976	112,976	-0-
Public safety	<u>1,677,402</u>	<u>1,677,402</u>	<u>1,664,005</u>	<u>13,397</u>
Total Expenditures	<u>1,790,378</u>	<u>1,790,378</u>	<u>1,776,981</u>	<u>13,397</u>
Net Change in Fund Balance	<u>\$ (36,830)</u>	<u>\$ (36,830)</u>	<u>(27,642)</u>	<u>\$ 9,188</u>
Fund Balance at Beginning of Year			<u>233,662</u>	
Fund Balance at End of Year			<u>\$ 206,020</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET LIGHTING DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 4,417,381	\$ 4,417,381	\$ 4,417,381	\$ -0-
Other real property tax items	78,500	78,500	101,410	22,910
Use of money and property	28,970	28,970	20,616	(8,354)
Sale of property and compensation for loss	12,000	12,000	58,201	46,201
Miscellaneous local sources		3,500	1,298	(2,202)
Federal aid		4,000	46,041	42,041
Total Revenues	<u>4,536,851</u>	<u>4,544,351</u>	<u>4,644,947</u>	<u>100,596</u>
EXPENDITURES				
General government support	390,226	390,226	390,159	67
Transportation	4,120,968	4,103,468	2,913,869	1,189,599
Employee benefits	51,391	76,391	65,629	10,762
Debt service:				
Principal	33,059	33,059	33,059	-0-
Interest	19,376	19,376	19,376	-0-
Total Expenditures	<u>4,615,020</u>	<u>4,622,520</u>	<u>3,422,092</u>	<u>1,200,428</u>
Net Change in Fund Balance	<u>\$ (78,169)</u>	<u>\$ (78,169)</u>	1,222,855	<u>\$ 1,301,024</u>
Fund Balance at Beginning of Year			<u>1,995,102</u>	
Fund Balance at End of Year			<u>\$ 3,217,957</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EROSION CONTROL DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 1,018,000	\$ 1,018,000	\$ 1,018,000	\$ -0-
Use of money and property	22,880	22,880	10,257	(12,623)
State aid		725	5,024	4,299
Federal aid		2,175	9,506	7,331
Total Revenues	<u>1,040,880</u>	<u>1,043,780</u>	<u>1,042,787</u>	<u>(993)</u>
EXPENDITURES				
General government support	130,635	130,635	130,635	-0-
Home and community services	400,300	410,210	137,586	272,624
Debt service:				
Interest	57,050	57,050	21,150	35,900
Total Expenditures	<u>587,985</u>	<u>597,895</u>	<u>289,371</u>	<u>308,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>452,895</u>	<u>445,885</u>	<u>753,416</u>	<u>307,531</u>
Other Financing Sources (Uses)				
Transfers in			81,272	81,272
Transfers out	(1,035,000)	(1,035,000)	(1,035,000)	-0-
Total Other Financing Sources (Uses)	<u>(1,035,000)</u>	<u>(1,035,000)</u>	<u>(953,728)</u>	<u>81,272</u>
Net Change in Fund Balance	<u>\$ (582,105)</u>	<u>\$ (589,115)</u>	<u>(200,312)</u>	<u>\$ 388,803</u>
Fund Balance at Beginning of Year			<u>1,601,151</u>	
Fund Balance at End of Year			<u>\$ 1,400,839</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LIFEGUARD DISTRICT FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 597,534	\$ 597,534	\$ 597,534	\$ -0-
Use of money and property	3,400	3,400	1,682	(1,718)
Total Revenues	<u>600,934</u>	<u>600,934</u>	<u>599,216</u>	<u>(1,718)</u>
EXPENDITURES				
General government support	45,684	45,684	45,496	188
Culture and recreation	462,320	462,320	423,340	38,980
Employee benefits	133,050	232,250	115,887	116,363
Total Expenditures	<u>641,054</u>	<u>740,254</u>	<u>584,723</u>	<u>155,531</u>
Net Change in Fund Balance	<u>\$ (40,120)</u>	<u>\$ (139,320)</u>	14,493	<u>\$ 153,813</u>
Fund Balance at Beginning of Year			<u>57,034</u>	
Fund Balance at End of Year			<u>\$ 71,527</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WATER DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 1,997,220	\$ 1,997,220	\$ 1,997,220	\$ -0-
Other real property tax items	20,500	20,500	20,572	72
Departmental income	2,105,000	2,105,000	2,298,954	193,954
Intergovernmental charges	5,450	5,450	5,988	538
Use of money and property	42,965	42,965	27,758	(15,207)
Total Revenues	<u>4,171,135</u>	<u>4,171,135</u>	<u>4,350,492</u>	<u>179,357</u>
EXPENDITURES				
General government support	298,268	298,268	298,268	-0-
Home and community services	3,834,765	3,834,765	3,615,989	218,776
Employee benefits	11,000	11,000	8,833	2,167
Debt service:				
Principal	164,300	164,300	164,259	41
Interest	86,000	86,000	85,948	52
Total Expenditures	<u>4,394,333</u>	<u>4,394,333</u>	<u>4,173,297</u>	<u>221,036</u>
Net Change in Fund Balance	<u>\$ (223,198)</u>	<u>\$ (223,198)</u>	177,195	<u>\$ 400,393</u>
Fund Balance at Beginning of Year			<u>5,747,937</u>	
Fund Balance at End of Year			<u>\$ 5,925,132</u>	

TOWN OF ISLIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MISCELLANEOUS DISTRICTS FUND
Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Real property taxes	\$ 459,660	\$ 459,660	\$ 459,660	\$ -0-
Use of money and property	5,250	5,250	3,119	(2,131)
State aid			4,958	4,958
Total Revenues	<u>464,910</u>	<u>464,910</u>	<u>467,737</u>	<u>2,827</u>
EXPENDITURES				
General government support	34,066	34,066	34,066	-0-
Health	40,775	40,775	31,870	8,905
Transportation	27,907	27,907	8,575	19,332
Culture & recreation	13,090	13,090	2,500	10,590
Home & community services	214,604	214,604	211,584	3,020
Debt service:				
Principal	135,815	135,815	135,815	-0-
Interest	50,213	46,268	37,902	8,366
Bond issuance costs		3,945	3,945	-0-
Total Expenditures	<u>516,470</u>	<u>516,470</u>	<u>466,257</u>	<u>50,213</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(51,560)</u>	<u>(51,560)</u>	<u>1,480</u>	<u>53,040</u>
Other Financing Sources (Uses)				
Premiums on obligations			88,039	88,039
Refunding bonds issued			807,833	807,833
Payments to refunded bond escrow agent			(891,927)	(891,927)
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>3,945</u>	<u>3,945</u>
Net Change in Fund Balance	<u>\$ (51,560)</u>	<u>\$ (51,560)</u>	<u>5,425</u>	<u>\$ 56,985</u>
Fund Balance at Beginning of Year			<u>592,565</u>	
Fund Balance at End of Year			<u>\$ 597,990</u>	