

**TOWN OF ISLIP**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Islip, New York'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 96.71%, 91.71%, and 98.88%, 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 financial statements were audited by other auditors whose reports thereon have 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 New York'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 New York's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**PERSONAL SERVICE. TRUSTED ADVICE.**

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## **Opinions**

In our opinion, based on our audit and the reports of 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *New Accounting Guidance*

As described in Note 7 to the basic financial statements, the Town of Islip, New York adopted the provisions of Governmental Accounting Standards No. 65, *"Items Previously Reported as Assets and Liabilities"* as of and for the year ended December 31, 2013.

## **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. 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 24, 2014, on our consideration of the Town of Islip, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, New York's internal control over financial reporting and compliance.

*Albrecht, Viggione, Zwick & Co., P.C.*

Hauppauge, New York  
September 24, 2014

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



**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

As management of the Town of Islip, New York (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial statements for the year ended December 31, 2013. Certain amounts from prior year were reclassified to conform to the current year presentation. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in the Town's basic financial statements.

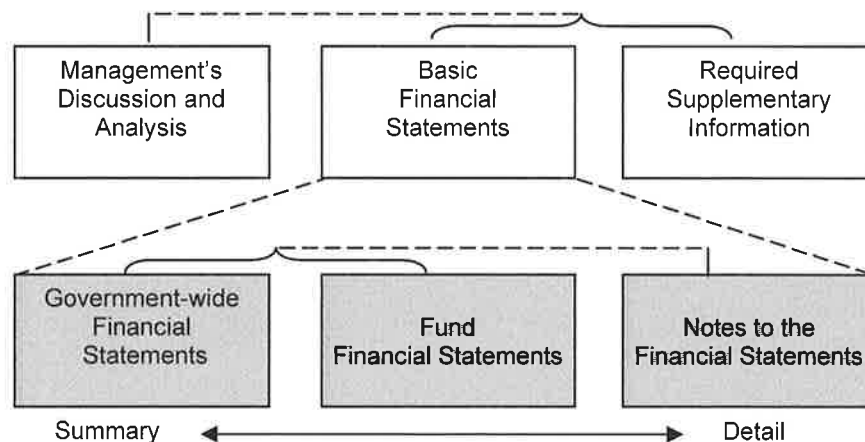
**FINANCIAL HIGHLIGHTS**

- At the close of 2013 the assets and deferred outflows of resources of the Town's governmental and business activities exceeded its liabilities and deferred inflows of resources by \$603,423,100 (net position) and \$33,764,993 (net position), respectively.
- The Town's combined net position decreased by \$5,746,168 (or 0.89%) in 2013. The governmental net position decreased by \$4,695,119 (or 0.77%) and the business-type net position decreased by \$1,051,049 (or 3.02%).
- As of the close of 2013, the Town's governmental funds reported combined ending fund balances of \$97,197,163. Of this amount, \$1,821,902 is not in spendable form or is required to remain intact. The remaining \$95,375,261 represents total fund balances in spendable form with various levels of spending constraint: restricted, assigned, or unassigned.
- At the end of 2013, the Town's total fund balance for the general fund was \$35,644,869, an increase of \$690,090 (or 1.97%) from the prior year. The assigned and unassigned fund balance for the general fund was \$34,043,451 (or 43.33%) 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 \$148,427,697, an increase of \$1,352,286 (or 0.92%) from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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, 2013

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

**Government-Wide Financial Statements**

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

The Statement of Net Position presents financial information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

The beginning year net position has been restated as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in order to recognize debt issuance cost expenses incurred. Previously, the debt issuance cost expenses were amortized over the duration of the related debt.

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, Town of Islip Industrial Development Agency and the Town of Islip Economic Development Corporation, which are all considered blended component units.

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**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 four 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 changes 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 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, Town of Islip Industrial Development Agency and the Town of Islip Economic Development Corporation (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, 2013

**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 and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$603,423,100 at the close of the most recent year.

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

**Condensed Statement of Net Position**

Governmental and Business-Type Activities - Primary Government  
As of December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 161,970,934	\$ 174,667,729	\$ 72,200,550	\$ 70,540,016	\$ 234,171,484	\$ 245,207,745
Capital assets	736,379,395	725,193,399	15,221,441	18,605,275	751,600,836	743,798,674
Total Assets	898,350,329	899,861,128	87,421,991	89,145,291	985,772,320	989,006,419
Deferred outflows of resources	712,449	-0-	-0-	-0-	712,449	-0-
<b>Liabilities</b>						
Current and other liabilities	33,009,107	84,231,073	5,382,038	11,514,001	38,391,145	95,745,074
Long-term liabilities	217,865,756	207,511,836	48,126,706	42,815,248	265,992,462	250,327,084
Total Liabilities	250,874,863	291,742,909	53,508,744	54,329,249	304,383,607	346,072,158
Deferred inflows of resources	44,764,815	-0-	148,254	-0-	44,913,069	-0-
<b>Net Position</b>						
Net investment in capital assets, net of related debt	612,572,274	605,955,296	2,754,845	1,026,092	615,327,119	606,981,388
Restricted	5,831,681	8,101,076	11,083,483	12,831,442	16,915,164	20,932,518
Unrestricted	(14,980,855)	(5,938,153)	19,926,665	20,958,508	4,945,810	15,020,355
Total Net Position	\$ 603,423,100	\$ 608,118,219	\$ 33,764,993	\$ 34,816,042	\$ 637,188,093	\$ 642,934,261

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

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

The Town's total assets and deferred outflows of resources on December 31, 2013 for the governmental activities were \$899,062,778, a decrease of \$798,350 from the prior year. Total liabilities and deferred inflows of resources were \$295,639,678 an increase of \$3,896,769 over the prior year. The result is a net position balance of \$603,423,100, a decrease of \$4,695,119 from the prior year. Of the Town's net position, \$612,572,274 was the net investment in capital assets, while \$5,831,681 was restricted. Unrestricted net position (deficit) were \$(14,980,855) at December 31, 2013.

The Town's total assets on December 31, 2013 for the business-type activities were \$87,421,991, a decrease of \$1,723,300 from the prior year. Total liabilities and deferred inflows of resources were \$53,656,998, a decrease of \$672,251 from the prior year. The result is a net position balance of \$33,764,993, a decrease of \$1,051,049 over the prior year. Of the Town's net position, \$2,754,845 was the net investment in capital assets, \$11,083,483 was restricted while unrestricted net position was \$19,926,665 at December 31, 2013.

Total net position was 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 2013 for governmental activities by \$6,935,064 bringing the unfunded liability at year-end to \$49,695,130. 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, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 38,000,677	\$ 37,515,204	\$ 42,434,135	\$ 43,320,338	\$ 80,434,812	\$ 80,835,542
Operating grants and contributions	12,932,387	19,940,847			12,932,387	19,940,847
Capital grants and contributions	12,349,020	14,863,103			12,349,020	14,863,103
Total Program Revenues	63,282,084	72,319,154	42,434,135	43,320,338	105,716,219	115,639,492
<b>General Revenues</b>						
Real property taxes	108,864,607	98,037,580			108,864,607	98,037,580
Mortgage tax	7,507,094	6,460,298			7,507,094	6,460,298
Other payments in lieu of taxes	11,231,077	10,870,691			11,231,077	10,870,691
Interest and investment income	413,827	608,144	311,470	433,295	725,297	1,041,439
State aid - unrestricted	1,797,900	1,797,900			1,797,900	1,797,900
Miscellaneous	11,365,538	5,863,150	8,050		11,373,588	5,863,150
Total General Revenues	141,180,043	123,637,763	319,520	433,295	141,499,563	124,071,058
Total Revenues	204,462,127	195,956,917	42,753,655	43,753,633	247,215,782	239,710,550
<b>Expenses</b>						
General government support	38,552,906	40,760,717			38,552,906	40,760,717
Public safety	17,609,988	18,768,074			17,609,988	18,768,074
Health	8,185,723	9,530,271			8,185,723	9,530,271
Transportation	48,084,192	56,899,895			48,084,192	56,899,895
Economic assistance and opportunity	2,001,825	3,755,196			2,001,825	3,755,196
Culture and recreation	24,560,989	24,516,650			24,560,989	24,516,650
Home and community services	64,932,164	64,370,815			64,932,164	64,370,815
Interest on debt	4,588,586	4,545,505			4,588,586	4,545,505
Town of Islip Foreign Trade Zone Authority			538,710	442,181	538,710	442,181
Islip Resource Recovery Agency			42,494,875	39,935,840	42,494,875	39,935,840
Town of Islip Industrial Development Agency			249,597	222,891	249,597	222,891
Total Expenses	208,516,373	223,147,123	43,283,182	40,600,912	251,799,555	263,748,035
Change in Net Position	(4,054,246)	(27,190,206)	(529,527)	3,152,721	(4,583,773)	(24,037,485)
<b>Net Position at Beginning of Year</b>	608,118,219	635,308,425	34,816,042	31,663,321	642,934,261	666,971,746
<b>Cumulative Effect of Change in Accounting Principle*</b>	(640,873)		(521,522)		(1,162,395)	
<b>Net Position - beginning, as restated</b>	607,477,346	635,308,425	34,294,520	31,663,321	641,771,866	666,971,746
Net Position at End of Year	\$ 603,423,100	\$ 608,118,219	\$ 33,764,993	\$ 34,816,042	\$ 637,188,093	\$ 642,934,261

\*The Town's financial statements presented herein are for the year ended December 31, 2013, and the cumulative effect of applying this accounting change from Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the condensed financial information presented above also reflects the cumulative effect of this accounting principle of \$1,162,395 and is shown as a reduction of the beginning net position for 2013. The condensed financial information for the year ended December 31, 2012 has not been restated.

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

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

Key elements of the governmental activities are:

- Overall program revenues decreased by \$9,037,070 primarily due to a year-over-year decrease of more than \$8,000,000 in Federal disaster aid from storm clean-up costs. This was compounded by a decrease in capital grants and contributions of approximately \$1,300,000 from various capital projects grants such as for road resurfacing. This was offset by an increase of approximately \$500,000 in charges for services resulting from increase in fees and permits issued.
- General revenues increased by \$17,542,280 from the prior year primarily due to increases in real property tax revenue of approximately \$11,000,000 as a result of the Town Board approved budget and an increase in miscellaneous revenues of approximately \$5,500,000 resulting from insurance recoveries for property damage caused by "Superstorm Sandy" and proceeds from land sales.
- Overall expenses decreased by \$14,630,750 from the prior year. This decrease is due to several factors including fewer costs associated with Superstorm Sandy clean-up and elimination of the Department of Human Services.

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, 2013 and 2012

	Total Cost of Services		Program Revenues		Net (Cost) Benefit of Services	
	2013	2012	2013	2012	2013	2012
General government support	\$ 38,552,906	\$ 40,760,717	\$ 1,800,602	\$ 2,477,809	\$ (36,752,304)	\$ (38,282,908)
Public safety	17,609,988	18,768,074	235,342	211,849	(17,374,646)	(18,556,225)
Health	8,185,723	9,530,271	11,909	1,266,955	(8,173,814)	(8,263,316)
Transportation	48,084,192	56,899,895	28,086,518	34,115,748	(19,997,674)	(22,784,147)
Economic assistance and opportunity	2,001,825	3,755,196	1,792,271	2,027,196	(209,554)	(1,728,000)
Culture and recreation	24,560,989	24,516,650	9,700,987	10,148,323	(14,860,002)	(14,368,327)
Home and community services	64,932,164	64,370,815	21,654,455	22,071,274	(43,277,709)	(42,299,541)
Interest on debt	4,588,586	4,545,505			(4,588,586)	(4,545,505)
	<u>\$ 208,516,373</u>	<u>\$ 223,147,123</u>	<u>\$ 63,282,084</u>	<u>\$ 72,319,154</u>	<u>\$ (145,234,289)</u>	<u>\$ (150,827,969)</u>

The cost of all governmental activities this year was \$208,516,373. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through Town taxes was \$108,864,607, because some of the cost was paid by those who directly benefited from the programs (\$38,000,677) or by other governments and organizations that subsidized certain programs with grants and contributions (\$25,281,407).

Key elements of the business-type activities are:

- Overall revenues decreased by \$999,978 from the prior year primarily due to a decrease in charges for services related to Islip Resource Recovery Agency fees.
- Overall expenses increased by \$2,682,270 from the prior year. This increase is mainly due to an adjustment in the estimated landfill closure and post-closure obligation, contractual expenses, and other administrative and operating expenses. These increases were partially offset by decreases in services fees and ash treatment.

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**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, 2013, the Town's governmental funds reported total ending fund balances of \$97,197,163, a decrease of \$4,082,889 in comparison with the prior year. The Town began the year with an anticipated overall \$7,155,001 decrease resulting from the appropriation of fund balance for the 2013 budget. The category breakdown is as follows:

- **Nonspendable fund balance** – \$1,821,902 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** – \$35,273,699 (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** – \$58,209,620 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- **Unassigned fund balance** – \$1,891,942 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance, of \$9,227,425, and the negative \$7,335,483 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 \$35,644,869, increasing \$690,090 from prior year. Overall, expenditures and other financing uses totaled \$78,561,556, a decrease of \$23,660,058 from the prior year. Revenues and other financing sources totaled \$79,251,646, a decrease of \$10,993,724 from the prior year. The decrease in expenditures was due to a refunded bond escrow payment made in prior year and the elimination of several positions in human services and public safety. The decrease in revenues was primarily due to a decrease in premiums and proceeds related to refunding bonds issued in the prior year offset by increases to real property taxes and transfers in.

**Highway Fund**

In the highway fund, total fund balance was \$7,903,102, increasing \$5,470,980 from the prior year. Overall, expenditures and other financing uses totaled \$24,440,415, a decrease of \$15,615,279 from the prior year. Revenues and other financing sources totaled \$29,911,395, a decrease of \$9,795,890 from the prior year. The decrease in expenditures was due to a refunded bond escrow payment in the prior year and decreased costs related to Superstorm Sandy clean-up. The decrease in revenues was primarily due to less federal revenue related to Superstorm Sandy reimbursement offset by an increase in property taxes.

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**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 \$4,712,887 decreasing \$1,149,278 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 \$22,106,535, decreasing \$8,078,683 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 \$4,692,012, increasing \$407,689 from the prior year. Overall, expenditures totaled \$43,028,573, an increase of \$463,693 from the prior year. Revenues totaled \$43,436,262, an increase of \$724,854 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, Town of Islip Industrial Development Agency and Town of Islip Economic Development Corporation proprietary funds at the end of the year amounted to \$472,403, \$30,493,634, \$2,689,454, and \$109,502 respectively. Total change in net position for these funds was \$97,621, (\$873,454), \$136,804 and \$109,502 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 \$6,365,017, by designating unreserved fund balance and assigned fund balance from the prior year. Actual revenues were less than anticipated by \$581,715. Departmental income and sale of property and compensation for loss was less than anticipated by \$435,531 and 2,070,950, respectively. This was offset by more than anticipated revenue in state and federal aid of \$478,754, non-property tax items of \$582,328 and miscellaneous local sources of \$630,115. Actual expenditures were less than anticipated by \$7,471,858. General governmental support expenditures were less than appropriated by \$2,318,996, public safety expenditures were less than appropriated by \$1,085,295, culture and recreation was less than appropriated by \$1,535,846 and employee benefits was less than appropriated by \$1,947,439. 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 modified for an additional \$507,711 being appropriated for various transfers and insurance claims, otherwise consistent with original budget.



**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2013, 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,

	2013	2012
<b><u>Non-depreciable assets:</u></b>		
Land and improvements	\$ 325,025,344	\$ 325,221,960
<b><u>Depreciable assets:</u></b>		
Buildings and improvements	151,843,888	151,135,456
Machinery and equipment	22,408,816	23,184,788
Software	126,982	176,680
Infrastructure:		
Airport	73,520,637	72,407,297
Road network	103,424,514	95,853,908
Boardwalks and bulkheads	16,572,150	12,388,682
Drainage network	40,641,105	41,937,379
Water network	2,815,959	2,887,249
Total capital assets - governmental activities	<u>\$ 736,379,395</u>	<u>\$ 725,193,399</u>

Business-Type Activities:

As of December 31,

	2013	2012
<b><u>Non-depreciable assets:</u></b>		
Land	\$ 832,821	\$ 832,821
<b><u>Depreciable assets:</u></b>		
Landfill site improvements	94,433	100,619
Buildings	288,250	307,442
Leasehold improvements	518,342	545,617
Land improvements	61,225	
Software	7,675	14,725
Resource recovery facility	12,815,346	16,155,388
Machinery and equipment	602,349	648,663
Total capital assets - business-type activities	<u>\$ 15,220,441</u>	<u>\$ 18,605,275</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 2013, the Town invested approximately \$37.7 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 2013. 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 2013 these ratings were reaffirmed.

**TOWN OF ISLIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

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

Debt Administration (continued)

At December 31, 2013, the Town had \$145,025,000 in bonds and bond anticipation notes outstanding as compared to \$144,150,000 last year, an increase of less than 1%. This increase was attributable to additional borrowing for various capital improvements being greater than the debt retired during the year. In 2013, \$16,355,000 in bonded debt was retired. 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 2014 that allows for inflation and other adjustments to revenues and expenditures. The 2014 general fund budget includes a stabilization in real property taxes of 0% from 2013.

The Town's elected and appointed officials considered many factors when setting the upcoming 2014 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 2014 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 has approximately 700 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 255 white-collar employees under contract which have expired on December 31, 2013. The United Public Service Employee Union represents approximately 365 blue-collar under contract which have expired on December 31, 2013. The Town is currently negotiating a new contract with these unions. The remaining are administrative or non-union employees.

State Aid and Mortgage Tax

The Town receives financial assistance from New York State. The 2014 budget includes New York State financial assistance aid per capita of \$1.8 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 2014 budget includes mortgage tax revenue of \$7.1 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, 2013

**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>
2013	\$ 1,026,670,425	\$ 860,932,243	\$ 119,741,789	\$ 45,996,393
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

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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 123,410,974	\$ 59,110,809	\$ 182,521,783	\$ 3,976,934
Escrow funds				298,331
Accounts receivable, net of allowance for uncollectibles	3,837,653	1,114,914	4,952,567	
Due from federal, state and other governments	7,451,627	10,411	7,462,038	699,706
Internal balances	1,043,748	249,902	1,293,650	
Due from component unit	77,497		77,497	
Due from fiduciary fund	23,947,485		23,947,485	
Note receivable, net of unearned interest		11,714	11,714	
Loans and mortgages receivable				726,710
Prepays	2,201,950	283,782	2,485,732	108,862
Total Current Assets	161,970,934	60,781,532	222,752,466	5,810,543
<b>Non-current Assets</b>				
Cash and cash equivalents - restricted		8,956,703	8,956,703	858,479
Investments - restricted		2,454,749	2,454,749	
Note receivable, net of unearned interest		8,566	8,566	
Loans and mortgages receivable				13,800,738
Land and buildings held for resale				10,580,369
Non-depreciable capital assets	325,025,344	832,821	325,858,165	2,533,827
Depreciable capital assets, net of depreciation	411,354,051	14,387,620	425,741,671	2,194,485
Total Non-current Assets	736,379,395	26,640,459	763,019,854	29,967,898
Total Assets	898,350,329	87,421,991	985,772,320	35,778,441
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refundings	712,449		712,449	
Total Deferred Outflows of Resources	712,449		712,449	
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Account payable	8,422,113	1,990,817	10,412,930	1,086,365
Accrued liabilities	2,837,668	332,432	3,170,100	
Retained percentages payable	391,186		391,186	
Due to other governments	1,467,069	235,041	1,702,110	
Internal balances	249,902	1,043,748	1,293,650	
Unearned revenue	191,261		191,261	
Tenant security deposits				37,899
Non-current liabilities due within one year	19,449,908	1,780,000	21,229,908	154,491
Total Current Liabilities	33,009,107	5,382,038	38,391,145	1,278,755
<b>Non-current Liabilities</b>				
Accrued liabilities				591,193
Due in more than one year	217,865,756	48,126,706	265,992,462	1,987,196
Total Non-current Liabilities	217,865,756	48,126,706	265,992,462	2,578,389
Total Liabilities	250,874,863	53,508,744	304,383,607	3,857,144
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	44,764,815	148,254	44,913,069	
Total Deferred Inflows of Resources	44,764,815	148,254	44,913,069	
<b>NET POSITION</b>				
Net investment in capital assets	612,572,274	2,754,845	615,327,119	3,871,911
Restricted for culture and recreation	274,648		274,648	
Restricted for debt service		11,083,483	11,083,483	26,216,570
Restricted for airport improvements/operations	5,557,033		5,557,033	
Unrestricted	(14,980,855)	19,926,665	4,945,810	1,832,816
Total Net Position	\$ 603,423,100	\$ 33,764,993	\$ 637,188,093	\$ 31,921,297

**TOWN OF ISLIP**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2013

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General government support	\$ 38,552,906	\$ 1,800,602			\$ (36,752,304)	\$ (36,752,304)	
Public safety	17,609,988	235,342			(17,374,646)	(17,374,646)	
Health	8,185,723	11,909			(8,173,814)	(8,173,814)	
Transportation	48,084,192	12,728,045	\$ 5,442,649	\$ 9,915,824	(19,997,674)	(19,997,674)	
Economic assistance and opportunity	2,001,825	2,240	1,790,031		(209,554)	(209,554)	
Culture and recreation	24,560,989	7,074,681	193,110	2,433,196	(14,860,002)	(14,860,002)	
Home and community services	64,932,164	16,147,858	5,506,597		(43,277,709)	(43,277,709)	
Interest on debt	4,588,586				(4,588,586)	(4,588,586)	
Total Governmental Activities	208,516,373	38,000,677	12,932,387	12,349,020	(145,234,289)	(145,234,289)	
Business-Type Activities:							
Foreign Trade Zone Authority	538,710	634,136			\$ 95,426	95,426	
Islip Resource Recovery Agency	42,494,875	41,326,623			(1,168,252)	(1,168,252)	
Town of Islip Industrial Development Agency	249,597	363,946			114,349	114,349	
Town of Islip Economic Development Corporation		109,430			109,430	109,430	
Total Business-Type Activities	43,283,182	42,434,135			(849,047)	(849,047)	
Total Primary Government	\$ 251,799,555	\$ 80,434,812	\$ 12,932,387	\$ 12,349,020	(145,234,289)	(146,083,336)	
<b>Component Units:</b>							
Home and community services	\$ 7,722,981	\$ 2,603,110	\$ 6,405,080			\$ 1,285,209	
<b>General Revenues</b>							
Real property taxes					108,864,607	108,864,607	
Other real property tax items					5,398,749	5,398,749	
Non-property tax items					5,832,328	5,832,328	
Mortgage tax					7,507,094	7,507,094	
Interest and investment income					413,827	725,297	6,100
State aid - unrestricted					1,797,900	1,797,900	
Other					11,365,538	11,373,588	
<b>Special Item</b>							
Total General Revenues					141,180,043	141,499,563	842,067
Change in Net Position					(4,054,246)	(4,583,773)	848,167
<b>Net Position at Beginning of Year</b>							2,133,376
<b>Cumulative Effect of Change in Accounting Principle</b>					608,118,219	34,816,042	29,787,921
<b>Net Position - beginning, as restated</b>					(640,873)	(521,522)	(1,162,395)
					607,477,346	34,294,520	29,787,921
Net Position at End of Year					\$ 603,423,100	\$ 33,764,993	\$ 637,188,093
							\$ 31,921,297

**TOWN OF ISLIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2013

	Major Governmental Funds					
	General	Highway	Passenger Facility Charges	Capital Projects	Solid Waste	Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 41,951,513	\$ 10,747,812	\$ 4,883,940	\$ 24,655,922	\$ 13,692,298	\$ 27,479,489
Accounts receivable, net	1,667,574	69,933	306,628			1,227,947
Due from federal, state and other governments	348,572			255,722		438,941
Due from enterprise funds	1,043,748					
Due from component units	77,497					
Due from fiduciary funds	7,524,573	3,904,675			9,001,715	3,517,092
Due from other funds	483,216	1,202,050		1,875,515		195,277
Prepays	929,120	149,886			23,823	321,423
<b>Total Assets</b>	<b>\$ 54,025,813</b>	<b>\$ 16,074,356</b>	<b>\$ 5,190,568</b>	<b>\$ 26,787,159</b>	<b>\$ 22,717,836</b>	<b>\$ 33,180,169</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,865,259	\$ 382,868	\$ 401,167	\$ 3,998,399	\$ 801,509	\$ 972,911
Accrued liabilities	886,914	121,336		102,739	22,352	402,423
Retained percentages payable			76,514	314,672		391,186
Due to other governments	59,223					1,407,846
Due to enterprise funds	10,177	25,493			213,589	643
Due to fiduciary funds						570
Due to other funds	1,660,317	321,654		178,848		1,595,239
Unearned revenue	45,216			85,966		60,079
<b>Total Liabilities</b>	<b>4,527,106</b>	<b>851,351</b>	<b>477,681</b>	<b>4,680,624</b>	<b>1,037,450</b>	<b>4,439,711</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	13,853,838	7,319,903			16,988,374	6,602,700
<b>Fund Balances:</b>						
Nonspendable						
Long-term receivable	397,650					397,650
Prepays	929,120	149,886			23,823	1,424,252
Restricted						
Capital projects				29,442,018		
Culture and recreation	274,648					
Airport improvements/operations			4,712,887			844,146
Assigned						
Purchases on order or contractual obligations	409,594					
Debt service	923,366	9,030				96,277
Workers' compensation	8,598,703	579,542				227,769
Judgments and claims	3,069,517					
Insurance	979,196					
Postemployment benefits	3,000,000	600,000				2,000,000
Subsequent year's budget	7,835,650	750,000				4,653,577
Special revenue funds		5,814,644			4,668,189	13,994,566
<b>Total Fund Balances</b>	<b>9,227,425</b>	<b>7,903,102</b>	<b>4,712,887</b>	<b>(7,335,483)</b>	<b>4,692,012</b>	<b>22,137,758</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 54,025,813</b>	<b>\$ 16,074,356</b>	<b>\$ 5,190,568</b>	<b>\$ 26,787,159</b>	<b>\$ 22,717,836</b>	<b>\$ 33,180,169</b>
						<b>\$ 157,975,901</b>

See notes to the financial statements.

**TOWN OF ISLIP**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
December 31, 2013

**Total Fund Balances - Governmental Funds** **\$ 97,197,163**

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	\$ 325,025,344	
Capital assets - depreciable	1,028,241,091	
Accumulated depreciation	<u>(616,887,040)</u>	
		736,379,395

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. 777,698

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	(148,427,697)	
Notes payable	(5,533,891)	
Due to employee retirement system	(6,773,215)	
Estimated liability for landfill closure and post-closure care costs	(5,117,000)	
Estimated liability for self-insurance	(12,270,479)	
Other postemployment benefits payable	(49,695,130)	
Compensated absences	(9,407,331)	
Deferred (lag) payroll	<u>(90,921)</u>	
		(237,315,664)

Deferred charges included in the Statement of Activities, net of amortization 712,449

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	1,847,096	
Grants revenue	4,561,296	
Charges for services	<u>565,571</u>	
		6,973,963

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. (1,301,904)

**Net Position of Governmental Activities** **\$ 603,423,100**



**TOWN OF ISLIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended December 31, 2013

	Major Governmental Funds						
	General	Highway	Passenger Facility Charges	Capital Projects	Solid Waste	Nonmajor Governmental Funds	Total
<b>REVENUES</b>							
Real property taxes	\$ 31,102,313	\$ 21,461,086			\$ 39,047,348	\$ 17,253,860	\$ 108,864,607
Other real property tax items	1,064,702	449,155			3,670,850	214,042	5,398,749
Non-property tax items	5,832,328						5,832,328
Departmental income	8,438,355	120,687				19,308,313	27,867,355
Intergovernmental charges	9,449,082	454,404				4,913	9,908,399
Use of money and property	1,073,920	44,381	\$ 5,151	\$ 305	91,494	234,918	1,450,169
Licenses and permits	641,237	343,350					984,587
Fines and forfeitures	783,018					1,928,178	2,711,196
Sales of property and compensation for loss	3,086,510	66,185		143,361		357,510	3,653,566
Miscellaneous local sources	3,688,491	28,765	2,692,536	383,955	513,559	54,573	7,361,879
Interfund revenues	4,059,863						4,059,863
State aid	7,740,953	3,087,576		639,658	112,544	1,806,125	13,386,856
Federal aid	1,792,062	2,002,313		5,938,067	467	6,897,180	16,630,089
<b>Total Revenues</b>	<b>78,752,834</b>	<b>28,057,902</b>	<b>2,697,687</b>	<b>7,105,346</b>	<b>43,436,262</b>	<b>48,059,612</b>	<b>208,109,643</b>
<b>EXPENDITURES</b>							
General government support	20,620,243	301,895			1,630,761	2,442,551	24,995,450
Public safety	7,218,486					3,453,094	10,671,580
Health	12,702					7,961,791	7,974,493
Transportation		11,927,235				11,699,792	23,627,027
Economic assistance and opportunity	1,750,229						1,750,229
Culture and recreation	12,140,157					432,657	12,572,814
Home and community services	4,137,647				40,960,535	12,357,309	57,455,491
Employee benefits	22,386,807	4,314,406			437,277	6,805,585	33,944,075
Capital outlay			2,890,083	33,033,721			35,923,804
Debt service:							
Principal	7,524,358	5,361,639	933,543			2,782,873	16,602,413
Interest	2,374,636	1,728,706	23,339			924,026	5,050,707
Bond issuance costs	98,618						98,618
<b>Total Expenditures</b>	<b>78,263,883</b>	<b>23,633,881</b>	<b>3,846,965</b>	<b>33,033,721</b>	<b>43,028,573</b>	<b>48,859,678</b>	<b>230,666,701</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>488,951</b>	<b>4,424,021</b>	<b>(1,149,278)</b>	<b>(25,928,375)</b>	<b>407,689</b>	<b>(800,066)</b>	<b>(22,557,058)</b>
<b>Other Financing Sources (Uses)</b>							
Debt issued				17,230,000			17,230,000
Bans redeemed from appropriation				1,080,000			1,080,000
Premiums on obligations	73,257	82,468				8,444	164,169
Transfers in	425,555	1,771,025		1,454,207		38,835	3,689,622
Transfers out	(297,673)	(806,534)		(1,914,515)		(670,900)	(3,689,622)
<b>Total Other Financing Sources (Uses)</b>	<b>201,139</b>	<b>1,046,959</b>	<b>-0-</b>	<b>17,849,692</b>	<b>-0-</b>	<b>(623,621)</b>	<b>18,474,169</b>
<b>Net Change in Fund Balances</b>	<b>690,090</b>	<b>5,470,980</b>	<b>(1,149,278)</b>	<b>(8,078,683)</b>	<b>407,689</b>	<b>(1,423,687)</b>	<b>(4,082,889)</b>
<b>Fund Balances at Beginning of Year</b>	<b>34,954,779</b>	<b>2,432,122</b>	<b>5,862,165</b>	<b>30,185,218</b>	<b>4,284,323</b>	<b>23,561,445</b>	<b>101,280,052</b>
<b>Fund Balances at End of Year</b>	<b>\$ 35,644,869</b>	<b>\$ 7,903,102</b>	<b>\$ 4,712,887</b>	<b>\$ 22,106,535</b>	<b>\$ 4,692,012</b>	<b>\$ 22,137,758</b>	<b>\$ 97,197,163</b>

See notes to the financial statements.

**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, 2013

**Net Change in Fund Balances** \$ (4,082,889)

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

Capital outlay	\$ 37,664,474	
Depreciation expense	<u>(26,281,862)</u>	11,382,612

The net effect of various miscellaneous transactions involving capital assets related to sales, trade-ins and disposals is to decrease net position. (196,616)

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.

Prepaid charges		(510,362)
Deferred charges		471,201

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 608,962

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.

Issuance of debt	(17,230,000)	
Repayment of bond principal	15,275,000	
Repayment of notes payable	247,413	
Due to employee retirement service	(1,974,248)	
Estimated liability for landfill closure and post-closure care costs	255,850	
Estimated liability for self-insurance	(1,567,206)	
Other postemployment benefits payable	(6,935,064)	
Compensated absences	175,917	
Lag payroll	17,421	
Accrued interest payable	<u>7,763</u>	<u>(11,727,154)</u>

**Change in Net Position of Governmental Activities** \$ (4,054,246)

**TOWN OF ISLIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2013

	Enterprise Funds				
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Town of Islip Economic Development Corporation	Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 747,251	\$ 55,498,627	\$ 2,755,429	\$ 109,502	\$ 59,110,809
Accounts receivable, net of allowance	2,856	1,112,058			1,114,914
Due from federal, state and other governments		10,411			10,411
Due from governmental funds		249,902			249,902
Note receivables, net of unearned interest		11,714			11,714
Prepays	9,083	274,699			283,782
Total Current Assets	759,190	57,157,411	2,755,429	109,502	60,781,532
<b>Non-current Assets</b>					
Cash and cash equivalents - restricted		8,956,703			8,956,703
Investments - restricted		2,454,749			2,454,749
Note receivable, net of unearned interest		8,566			8,566
Non-depreciable capital assets		832,821			832,821
Depreciable capital assets, net of depreciation	584,276	13,792,913	10,431		14,387,620
Total Non-current Assets	584,276	26,045,752	10,431	-0-	26,640,459
Total Assets	1,343,466	83,203,163	2,765,860	109,502	87,421,991
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	31,335	1,945,377	14,105		1,990,817
Accrued liabilities	4,463	327,969			332,432
Due to other governments		235,041			235,041
Due to governmental funds	547,650	433,797	62,301		1,043,748
Non-current liabilities due within one year		1,780,000			1,780,000
Total Current Liabilities	583,448	4,722,184	76,406	-0-	5,382,038
<b>Non-current Liabilities</b>					
Due in more than one year	139,361	47,987,345			48,126,706
Total Non-current Liabilities	139,361	47,987,345	-0-	-0-	48,126,706
Total Liabilities	722,809	52,709,529	76,406	-0-	53,508,744
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	148,254				148,254
Total Deferred Inflows of Resources	148,254	-0-	-0-	-0-	148,254
<b>NET POSITION</b>					
Net investment in capital assets	584,276	2,160,138	10,431		2,754,845
Restricted		11,083,483			11,083,483
Unrestricted	(111,873)	17,250,013	2,679,023	109,502	19,926,665
Total Net Position	\$ 472,403	\$ 30,493,634	\$ 2,689,454	\$ 109,502	\$ 33,764,993

**TOWN OF ISLIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
Year Ended December 31, 2013

	Enterprise Funds				Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Town of Islip Economic Development Corporation	
<b>Operating Revenues</b>					
Charges and fees	\$ 129,178	\$ 38,136,943	\$ 361,446	\$ 109,430	\$ 38,736,997
Rentals and royalties	504,958	68,000			572,958
Sales		3,121,680			3,121,680
Other operating revenues			2,500		2,500
Total Operating Revenues	634,136	41,326,623	363,946	109,430	42,434,135
<b>Operating Expenses</b>					
Personal services	155,424	1,688,168			1,843,592
Employee benefits	81,939	1,654,886			1,736,825
Contractual goods and services	272,589	34,926,156	243,831		35,442,576
Depreciation	28,758	3,563,439	5,766		3,597,963
Total Operating Expenses	538,710	41,832,649	249,597	-0-	42,620,956
Operating Income (Loss)	95,426	(506,026)	114,349	109,430	(186,821)
<b>Non-Operating Revenues (Expenses)</b>					
Interest income and amortization	2,195	294,798	14,405	72	311,470
Other non-operating revenues			8,050		8,050
Debt service - interest		(662,226)			(662,226)
Total Non-Operating Revenues (Expenses)	2,195	(367,428)	22,455	72	(342,706)
Change in Net Position	97,621	(873,454)	136,804	109,502	(529,527)
<b>Net Position at Beginning of Year</b>	374,782	31,888,610	2,552,650	-0-	34,816,042
<b>Cumulative Effect of Change in Accounting Principle</b>		(521,522)			(521,522)
<b>Net Position - beginning, as restated</b>	374,782	31,367,088	2,552,650	-0-	34,294,520
Net Position at End of Year	\$ 472,403	\$ 30,493,634	\$ 2,689,454	\$ 109,502	\$ 33,764,993

**TOWN OF ISLIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended December 31, 2013

	Enterprise Funds				Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Town of Islip Economic Development Corporation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers, clients and tenants	\$ 661,170	\$ 42,816,305	\$ 363,946	\$ 190,430	\$ 44,031,851
Cash payments:					
Personal services and employee benefits	(222,026)	(2,873,732)			(3,095,758)
Contractual expenses	(152,368)	(31,064,508)	(176,585)		(31,393,461)
Net Cash Provided by Operating Activities	286,776	8,878,065	187,361	190,430	9,542,632
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Cash received from payments in lieu of taxes			13,192,923		13,192,923
Cash received from other non-operating activities			8,050		8,050
Cash payments in lieu of taxes			(13,192,923)		(13,192,923)
Net Cash Provided by Noncapital Financing Activities	-0-	-0-	8,050	-0-	8,050
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition, construction and improvements of capital assets	(64,281)	(152,429)			(216,710)
Principal payments on revenue bonds		(4,995,000)			(4,995,000)
Interest payments on revenue bonds		(905,688)			(905,688)
Net Cash Used by Capital and Related Financing Activities	(64,281)	(6,053,117)	-0-	-0-	(6,117,398)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale or redemption of investments		29,667,061			29,667,061
Purchase of investments		(29,569,596)			(29,569,596)
Interest income	2,195	294,797	14,405	72	311,469
Net Cash Provided by Investing Activities	2,195	392,262	14,405	72	408,934
Net Increase in Cash and Cash Equivalents	224,690	3,217,210	209,816	190,502	3,842,218
Cash and Cash Equivalents at Beginning of Year	522,561	61,238,120	2,545,613	-0-	64,306,294
Cash and Cash Equivalents at End of Year	\$ 747,251	\$ 64,455,330	\$ 2,755,429	\$ 190,502	\$ 68,148,512
		(A)			
<b>(A) RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>					
Current assets - cash and cash equivalents		\$ 55,498,627			
Non-current assets - cash and cash equivalents - restricted		8,956,703			
Total Cash and Cash Equivalents		\$ 64,455,330			

**TOWN OF ISLIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended December 31, 2013

	Enterprise Funds				
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Town of Islip Economic Development Corporation	Totals
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 95,426	\$ (506,026)	\$ 114,349	\$ 109,430	\$ (186,821)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:					
Depreciation	28,758	3,563,439	5,766		3,597,963
Loss on disposal of capital assets	3,193				3,193
Contingency	388				388
Provision (release) for allowance		(86,850)			(86,850)
Change in assets and liabilities:					
(Increase) decrease in assets					
Accounts receivable	6,921	(27,877)			(20,956)
Notes receivable		15,716			15,716
Due from other governments		65,891			65,891
Due from primary government		1,522,802			1,522,802
Prepaid expenses and deferred charges	(3,348)	(15,158)			(18,506)
Accounts payable and accrued expenses	9,640	(725,836)	4,945		(711,251)
Due to other governments		(6,656)			(6,656)
Due to primary government	110,348	240,912	62,301		413,561
Long-term liabilities	15,337	4,837,708			4,853,045
Deferred inflows	20,113				20,113
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 286,776</b>	<b>\$ 8,878,065</b>	<b>\$ 187,361</b>	<b>\$ 109,430</b>	<b>\$ 9,461,632</b>

**TOWN OF ISLIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
December 31, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 76,869,108
Service award program assets	<u>790,174</u>
Total Assets	<u><u>\$ 77,659,282</u></u>
<b>LIABILITIES</b>	
Due to other governments	\$ 45,902,708
Due to governmental funds	23,947,485
Service award program liabilities	790,174
Agency fund liabilities	<u>7,018,915</u>
Total Liabilities	<u><u>\$ 77,659,282</u></u>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Islip, New York (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 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 four 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 derived from the business conducted on the premises under any sub-leasing arrangements.



**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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.

The Town of Islip Economic Development Corporation is a not-for-profit organization established in 2010 for the purpose supporting the growth, expansion, on-going operations and continued viability of the non-profit sector within the Town by serving as a conduit financing entity issuing taxable and tax-exempt revenue debt. The Town of Islip Economic Development Corporation 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

Town of Islip Economic Development Corporation  
40 Nassau Avenue  
Islip, New York 11751

**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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**A. REPORTING ENTITY (continued)**

**Included in the reporting entity:** (continued)

**Discretely presented component units** (continued)

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.

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 \$6,299,907 for the year ended December 31, 2013.

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, 2013

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

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

**Government-wide Financial Statements** (continued)

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

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

**Fund Financial Statements**

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 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, 2013

**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:

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

Fire Protection Districts:

- Bay Shore
- Fire Island
- Seaview
- Atlantique

Street Lighting District

Erosion Control Districts:

- Cornelius Estates
- Lonelyville
- Fair Harbor
- Atlantique
- Dunewood
- Seaview
- Kismet

Lifeguard District

Water Districts:

- 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, 2013

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

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

**Fund Financial Statements** (continued)

**Governmental Funds** (continued)

Miscellaneous Districts:

- 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, deferred inflow of resources, liabilities and deferred outflows of resources (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, the Town of Islip Industrial Development Agency and the Town of Islip Economic Development Corporation 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, 2013

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

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

**Fund Financial Statements** (continued)

**Proprietary Funds** (continued)

Town of Islip Economic Development Corporation – is used to account for activity related to the Town of Islip Economic Development Corporation which was created for the purpose of supporting the growth, expansion, on-going operations and continued viability of the non-profit sector within the Town by serving as a conduit financing entity issuing taxable and tax-exempt revenue debt.

**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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

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 consist of charges to others for sales and services and the rental income from leasing property which is the primary activity.

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

Because governmental fund statements are presented using a measurement focus and 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 \$73,742 at December 31, 2013. 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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

**3. ACCOUNTS RECEIVABLES** (continued)

Proprietary Funds:

The Town of Islip Foreign Trade Zone Authority had a balance in accounts receivable of \$2,856 shown net of an allowance for uncollectibles of \$347 at December 31, 2013. Amounts are determined uncollectible by management on a case by case basis and generally represent amounts outstanding after management has used reasonable collection efforts.

The Islip Resource Recovery Agency had a balance in accounts receivable of \$1,112,058, shown net of an allowance for uncollectibles of \$96,297 at December 31, 2013. 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, 2013 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.



**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

**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.

**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/amortization on all assets is calculated 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 systems, 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. UNEARNED 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, including grant advances.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

**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. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. The Town reports deferred outflows for deferred charges on refundings that will be recognized in a future period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, 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 reports deferred inflows from unavailable revenue which relate to subsequent year's property tax levy that will be recognized as revenue in the period that the amounts become available.

**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, pollution remediation, deferred (lag) payroll and postemployment benefits healthcare costs are recognized in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Debt issuance costs are recognized as an outflow of resources in the period incurred.

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

**15. NET POSITION AND FUND EQUITY CLASSIFICATIONS**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

**15. NET POSITION AND FUND EQUITY CLASSIFICATIONS** (continued)

- 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, 2013 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 financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are: 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned. Not all of the Town’s funds will necessarily have all of the components of fund balance available to that fund.

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

The spendable portion of 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.

**16. NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS**

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources it is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**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.

**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 liabilities and expense are reported in the governmental funds only if they have matured, for example, as a result of employee resignations, terminations 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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**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 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 reporting period. Actual results could differ from those estimates.

**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, 2013, the Town adopted:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No 62*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously included as a component under the fiscal dependency criterion, a financial benefit/burden relationship must also be present between the primary government and the organization to be included in the reporting entity as a component unit. For organizations that do not meet the criterion for inclusion as a component unit but management determines it would be misleading not to include it, this statement clarifies the manner in which that determination should be made. This Statement had no effect on the Town's financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of net position. Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance. The implementation of this Statement resulted in reporting a restatement of the Town's net position (see Note 7) and to change the presentation of the Statement of Net Position.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**H. NEW ACCOUNTING PRINCIPLES** (continued)

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, provides financial and reporting guidance by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement also amends existing standards regarding accounting and financial reporting of risk financing and related insurance issues by removing the provision that limits fund based reporting of risk financing activities to the general fund and internal service funds. This statement also amends existing standards regarding accounting and financial reporting of the following: operating leases, the difference between initial investment in purchased loans and the principal balance and servicing fees related to mortgage loans when sold. This Statement had no effect on the Town's financial statements.

**I. SUBSEQUENT EVENTS**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

- a) 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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**A. BUDGETARY INFORMATION (continued)**

At a Special Meeting on November 19, 2012 the Town Board voted to override the 2% tax levy cap for the 2013 budget imposed by the State. A supermajority of the members of the Town Board voted in favor of the measure and enacted Local Law No. 8 of 2012.

**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
<b>Fund Balances:</b>							
Nonspendable:							
Long-term receivables	\$ 397,650						\$ 397,650
Prepaid items	929,120	\$ 149,886			\$ 23,823	\$ 321,423	1,424,252
<b>Total Nonspendable</b>	<b>1,326,770</b>	<b>149,886</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>23,823</b>	<b>321,423</b>	<b>1,821,902</b>
Restricted for:							
Capital projects				29,442,018			29,442,018
Recreation	274,648						274,648
Airport improvements/operations			4,712,887			844,146	5,557,033
<b>Total Restricted</b>	<b>274,648</b>	<b>-0-</b>	<b>4,712,887</b>	<b>29,442,018</b>	<b>-0-</b>	<b>844,146</b>	<b>35,273,699</b>
Assigned to:							
Purchases on order or contractual obligations	409,594	9,030				96,277	514,901
Debt service	923,366	579,542				227,769	1,730,677
Worker's compensation	8,598,703						8,598,703
Judgments and claims	3,069,517						3,069,517
Insurance	979,196						979,196
Postemployment benefits	3,000,000	600,000				2,000,000	5,600,000
Subsequent year's budget	7,835,650	750,000				4,653,577	13,239,227
Special revenue funds		5,814,644			4,668,189	13,994,566	24,477,399
<b>Total Assigned</b>	<b>24,816,026</b>	<b>7,753,216</b>	<b>-0-</b>	<b>-0-</b>	<b>4,668,189</b>	<b>20,972,189</b>	<b>58,209,620</b>
Unassigned, reported in							
General fund	9,227,425						9,227,425
Capital projects fund				(7,335,483)			(7,335,483)
<b>Total Fund Balances</b>	<b>\$ 35,644,869</b>	<b>\$ 7,903,102</b>	<b>\$ 4,712,887</b>	<b>\$ 22,106,535</b>	<b>\$ 4,692,012</b>	<b>\$ 22,137,758</b>	<b>\$ 97,197,163</b>

**DEFICIT FUND EQUITY**

The capital projects fund deficit, in unassigned fund balance of \$7,335,483, 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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

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

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

At December 31, 2013, the Town's unrestricted cash book balances were \$259,390,891. 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.

At December 31, 2013, the Town's component units' cash book balances were \$3,976,934. 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, 2013, the Islip Resource Recovery Agency's restricted cash book balances were \$8,956,703. Of this amount approximately \$7.3 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, 2013, the Islip Resource Recovery Agency's restricted investment balances were \$2,454,749. 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, 2013, 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, 2013

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

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

At December 31, 2013 individual fund interfund receivable and payable balances for the primary government are generally expected to be paid currently. These balances represent various temporary loans, recharges and reimbursements between funds and are stated as follows:

	Amount Receivable	Amount Payable
Major Governmental Funds:		
General Fund	\$ 9,129,034	\$ 1,670,494
Highway Fund	5,106,725	347,147
Capital Projects Fund	1,875,515	178,848
Solid Waste Fund	9,001,715	213,589
Nonmajor Governmental Funds	3,712,369	1,596,452
Major Business-Type Funds:		
Town of Islip Foreign Trade Zone Authority		547,650
Islip Resource Recovery Agency	249,902	433,797
Town of Islip Industrial Development Agency		62,301
Fiduciary Funds:		
Agency Fund		23,947,485
Component Unit:		
Community Development Agency		77,497
Total	<u>\$ 29,075,260</u>	<u>\$ 29,075,260</u>

At December 31, 2013 individual fund interfund transfers balances for the primary government 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:		
General Fund	\$ 425,555	\$ 297,673
Highway Fund	1,771,025	806,534
Capital Projects Fund	1,454,207	1,914,515
Nonmajor Governmental Funds	38,835	670,900
Total	<u>\$ 3,689,622</u>	<u>\$ 3,689,622</u>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**C. CAPITAL ASSETS**

Capital asset activities for the year ended December 31, 2013 are as follows:

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13
<b><u>Governmental activities:</u></b>				
<b>Non-depreciable assets:</b>				
Land and improvements	\$ 325,221,960		\$ 196,616	\$ 325,025,344
Total non-depreciable assets	325,221,960	\$ -0-	196,616	325,025,344
<b>Depreciable assets:</b>				
Buildings and improvements	239,577,211	6,807,376	261,175	246,123,412
Machinery and equipment	61,235,287	4,652,390	164,509	65,723,168
Software	327,446	17,545		344,991
Infrastructure:				
Airport	254,292,880	7,263,836		261,556,716
Road network	333,723,871	13,444,172	1,676,650	345,491,393
Boardwalk and bulkheads	15,201,732	4,717,062		19,918,794
Drainage network	84,756,020	762,093		85,518,113
Water network	3,564,504			3,564,504
Total depreciable assets	992,678,951	37,664,474	2,102,334	1,028,241,091
<b>Accumulated depreciation:</b>				
Buildings and improvements	88,441,755	6,098,944	261,175	94,279,524
Machinery and equipment	38,050,499	5,428,362	164,509	43,314,352
Software	150,766	67,243		218,009
Infrastructure:				
Airport	181,885,583	6,150,496		188,036,079
Road network	237,869,963	5,873,566	1,676,650	242,066,879
Boardwalk and bulkheads	2,813,050	533,594		3,346,644
Drainage network	42,818,641	2,058,367		44,877,008
Water network	677,255	71,290		748,545
Total accumulated depreciation	\$ 592,707,512	\$ 26,281,862	\$ 2,102,334	616,887,040
Total net depreciable assets				411,354,051
<b>Governmental activities capital assets, net</b>				<b>\$ 736,379,395</b>
Depreciation expense was charged to governmental activities functions as follows:				
General governmental support				\$ 3,899,119
Public safety				564,902
Transportation				16,787,462
Culture and recreation				2,484,358
Home and community services				2,546,021
Total governmental activities depreciation expense				<b>\$ 26,281,862</b>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**C. CAPITAL ASSETS (continued)**

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13
<b><u>Business-Type activities:</u></b>				
<b>Non-depreciable assets:</b>				
Land	\$ 832,821			\$ 832,821
Total non-depreciable assets	<u>832,821</u>	\$ -0-	\$ -0-	<u>832,821</u>
<b>Depreciable assets:</b>				
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	954,241		18,493	935,748
Land improvements		62,000		62,000
Resource recovery facility	83,501,046			83,501,046
Intangibles	25,250			25,250
Machinery and equipment	<u>7,352,958</u>	<u>154,710</u>	<u>542,040</u>	<u>6,965,628</u>
Total depreciable assets	<u>95,216,067</u>	<u>216,710</u>	<u>560,533</u>	<u>94,872,244</u>
<b>Accumulated depreciation</b>				
Clean fill facility	1,278,335			1,278,335
Landfill site improvements	823,561	6,186		829,747
Buildings	872,615	19,192		891,807
Leasehold improvements	408,624	23,694	14,912	417,406
Land improvements		775		775
Resource recovery facility	67,345,658	3,340,042		70,685,700
Intangibles	10,525	7,050		17,575
Machinery and equipment	<u>6,704,295</u>	<u>201,024</u>	<u>542,040</u>	<u>6,363,279</u>
Total accumulated depreciation	<u>\$ 77,443,613</u>	<u>\$ 3,597,963</u>	<u>\$ 556,952</u>	<u>80,484,624</u>
Total net depreciable assets				<u>14,387,620</u>
<b>Business-Type activities capital assets, net</b>				<u><u>\$ 15,220,441</u></u>
Depreciation expense was charged to enterprise funds as follows:				
Town of Islip Foreign Trade Zone Authority				\$ 28,758
Islip Resource Recovery Agency				3,563,439
Town of Islip Industrial Development Agency				<u>5,766</u>
Total business-type activities depreciation expense				<u><u>\$ 3,597,963</u></u>

The Town 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. At December 31, 2013, the Town has not recorded any such impairment losses.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**C. CAPITAL ASSETS (continued)**

	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
<b><u>Discretely Presented Component Units</u></b>				
<b>Non-depreciable assets:</b>				
Construction in progress	\$ 1,141,648	\$ 2,215		\$ 1,143,863
Land	1,389,964			1,389,964
Total non-depreciable assets	2,531,612	2,215	\$ -0-	2,533,827
<b>Depreciable assets:</b>				
Buildings and improvements	5,793,507			5,793,507
Equipment	129,478	7,525	8,616	128,387
Total depreciable assets	5,922,985	7,525	8,616	5,921,894
<b>Accumulated depreciation:</b>				
Buildings, improvements and equipment	3,524,011	212,014	8,616	3,727,409
Total accumulated depreciation	\$ 3,524,011	\$ 212,014	\$ 8,616	3,727,409
Total net depreciable assets				2,194,485
<b>Total component units capital assets, net</b>				<b>\$ 4,728,312</b>
Depreciation expense was charged to component units as follows:				
Home and community services				\$ 212,014

**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, 2013 is as follows:

	Balance 7/1/12	Increases	Reductions	Recovery	Balance 6/30/13
Land and building held for resale	\$ 9,091,637	\$ 2,464,848	\$ (1,818,184)	\$ 842,068	\$ 10,580,369

**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. Liabilities for BANs are generally accounted for in the capital projects funds. BANs are expected to be paid from proceeds of future bond issues or renewal of the notes.

A summary of changes in BANs for the primary government for the year ended December 31, 2013 is as follows: At December 31, 2013, the Town had no BANs outstanding.

	Balance 1/1/13	Increases	Reductions	Balance 12/31/13
Bond Anticipation Notes	\$ 1,080,000	\$ -0-	\$ (1,080,000)	\$ -0-

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**E. INDEBTEDNESS (continued)**

**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, 2013 is as follows:

	Balance 1/1/13	Increases	Reductions	Balance 12/31/13	Non-current liabilities due within one year	Non-current liabilities due in more than one year
<b>Governmental activities:</b>						
General obligation bonds	\$ 143,070,000	\$ 17,230,000	\$ (15,275,000)	\$ 145,025,000	\$ 16,265,000	\$ 128,760,000
Plus premiums on issuance	4,005,411	164,168	(766,882)	3,402,697	650,249	2,752,448
Total general obligations bonds	147,075,411	17,394,168	(16,041,882)	148,427,697	16,915,249	131,512,448
Notes payable	5,781,304		(247,413)	5,533,891	262,105	5,271,786
Due to employee retirement system	4,294,780	3,110,791	(632,356)	6,773,215	930,563	5,842,652
Estimated liability for landfill closure and postclosure care costs	5,372,850		(255,850)	5,117,000	258,100	4,858,900
Estimated liability for self-insurance	10,703,273	1,567,206		12,270,479	613,524	11,656,955
Other postemployment benefit obligations	42,760,066	15,424,676	(8,489,612)	49,695,130		49,695,130
Compensated absences	9,583,248	867,955	(1,043,872)	9,407,331	470,367	8,936,964
Deferred (lag) payroll	108,342		(17,421)	90,921		90,921
Total governmental activities	\$ 225,679,274	\$ 38,364,796	\$ (26,728,406)	\$ 237,315,664	\$ 19,449,908	\$ 217,865,756
<b>Business-Type activities:</b>						
Revenue bonds	\$ 16,585,000		\$ (4,995,000)	\$ 11,590,000	\$ 900,000	\$ 10,690,000
Plus premiums on issuance	1,021,462		(145,866)	875,596		875,596
Less deferred loss on early retirement of debt	(27,279)		27,279	-0-		-0-
Revenue bonds, net	17,579,183		(5,113,587)	12,465,596	900,000	11,565,596
Estimated liability for landfill closure and postclosure care costs	29,971,019	\$ 4,368,386		34,339,405	880,000	33,459,405
Other postemployment benefit obligations	2,196,917	588,772	(164,980)	2,620,709		2,620,709
Compensated absences (A)	419,253	60,867		480,120		480,120
Deferred (lag) payroll	876			876		876
Total business-type activities	\$ 50,167,248	\$ 5,018,025	\$ (5,278,567)	\$ 49,906,706	\$ 1,780,000	\$ 48,126,706
<b>Discretely presented component units:</b>						
Mortgages	\$ 251,217			\$ 251,217		\$ 251,217
U.S. Department of Housing and Urban Development bonds	930,000		\$ (130,000)	800,000	\$ 140,000	660,000
Other postemployment benefit obligations	378,019	\$ 259,810	(70,000)	567,829		567,829
Compensated absences	508,150	14,491		522,641	14,491	508,150
Total discretely presented component units	\$ 2,067,386	\$ 274,301	\$ (200,000)	\$ 2,141,687	\$ 154,491	\$ 1,987,196

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

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**E. INDEBTEDNESS (continued)**

**LONG-TERM DEBT (continued)**

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, 2014	\$ 16,265,000	\$ 4,549,430	\$ 20,814,430
2015	18,095,000	3,978,593	22,073,593
2016	17,065,000	3,386,409	20,451,409
2017	15,655,000	2,850,496	18,505,496
2018	13,280,000	2,345,321	15,625,321
2019 - 2023	47,155,000	6,399,953	53,554,953
2024 - 2027	17,510,000	863,045	18,373,045
Totals	<u>\$ 145,025,000</u>	<u>\$ 24,373,247</u>	<u>\$ 169,398,247</u>

**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 4.00% to 5.75% and have maturity dates in 2013 through 2024.

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, 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	1,110,000	442,750	1,552,750
2019 - 2023	5,120,000	1,094,800	6,214,800
2024	1,470,000	84,525	1,554,525
Totals	<u>\$ 11,590,000</u>	<u>\$ 3,948,545</u>	<u>\$ 15,538,545</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 3.9% to 10% and have maturity dates in 2014 through 2031.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**E. INDEBTEDNESS (continued)**

**LONG-TERM DEBT (continued)**

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, 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	332,918	364,760	697,678
2019 - 2023	1,770,033	1,468,140	3,238,173
2024 - 2028	1,414,413	822,933	2,237,346
2029 - 2031	868,441	101,075	969,516
Totals	<u>\$ 5,533,891</u>	<u>\$ 4,399,528</u>	<u>\$ 9,933,419</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.

**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 un compounded 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, 2014		\$ 30,146	\$ 30,146
2015		30,146	30,146
2016		30,146	30,146
2017		30,146	30,146
2018		30,146	30,146
2019 - 2023		150,730	150,730
2024	\$ 251,217	30,146	281,363
Totals	<u>\$ 251,217</u>	<u>\$ 331,606</u>	<u>\$ 582,823</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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**E. INDEBTEDNESS (continued)**

**LONG-TERM DEBT (continued)**

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:

	Principal	Interest	Total Principal and Interest
Years Ending June 30, 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>\$ 800,000</u>	<u>\$ 53,186</u>	<u>\$ 853,186</u>

**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.



**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**F. RETIREMENT SYSTEM (continued)**

Funding Policy (continued)

Contributions consist of a group term life insurance portion (GTLI) and a regular pension contribution. Contribution rates for the plan year ended March 31, 2013 and 2014 are as follows:

Contribution Rates			
Tier	Plan	3/31/2013 Rate	3/31/2014 Rate
1	75I	25.2%	28.5%
2	75I	23.0%	26.0%
3	A14	18.4%	20.8%
4	A15	18.4%	20.8%
5	A15	14.9%	16.7%
6	A15	9.9%	11.3%

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

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

Annual Required Contribution - ERS							
	Amount	Credits & Miscellaneous Adjustments	Prepayment Discount	2010 Incentive Installments	Amortization Amount	Amortization Payment	Total Payment
2013	\$ 9,039,177	\$ 146,587	\$ (85,137)	\$ 445,788	\$ (3,110,791)	\$ 368,936	\$ 6,804,560
2012	7,957,874	712,100	(79,308)	445,788	(3,135,493)		5,900,961
2011	6,198,540	(328,762)		445,788			6,315,566

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

During 2010, pursuant to Chapter 105 of the Laws of 2010, the New York State Legislature authorized local governments to make available a retirement incentive program with estimated total costs 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%. Future principal and interest payments for this incentive are as follows:

	Principal	Interest	Total Principal and Interest
Years Ending December 31, 2014	\$ 385,756	\$ 60,032	\$ 445,788
2015	414,687	31,101	445,788
Totals	<u>\$ 800,443</u>	<u>\$ 91,133</u>	<u>\$ 891,576</u>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**F. RETIREMENT SYSTEM (continued)**

Funding Policy (continued)

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.

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 12 years in accordance with stipulations. The Town has continued with a 10 year amortization.

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 Town participated in this program during 2012 and recorded an initial liability of \$3,135,493 at December 31, 2012, and was recorded in the government-wide statements. The outstanding balance at December 31, 2013 totals \$2,861,981. Future principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 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	317,074	50,502	367,576
2019-2023	<u>1,366,313</u>	<u>103,987</u>	<u>1,470,300</u>
	<u>\$ 2,861,981</u>	<u>\$ 446,196</u>	<u>\$ 3,308,177</u>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**F. RETIREMENT SYSTEM (continued)**

Funding Policy (continued)

The Town participated in this program during 2013 and recorded an initial liability of \$3,110,791 at December 31, 2013, and was recorded in the government-wide statements. Future principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Years Ending December 31, 2014	\$ 263,092	\$ 114,166	\$ 377,258
2015	272,747	104,511	377,258
2016	282,757	94,501	377,258
2017	293,134	84,124	377,258
2018	303,892	73,366	377,258
2019-2023	<u>1,695,169</u>	<u>191,121</u>	<u>1,886,290</u>
	<u>\$ 3,110,791</u>	<u>\$ 661,789</u>	<u>\$ 3,772,580</u>

The total amount due to the New York State Retirement System pursuant to Chapters 57 and 105 of the Laws of 2010 (reflected above) totals \$6,773,215 at December 31, 2013.

**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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

Funding Policy (continued)

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 2013 plan year and the contributions made during 2013, including adjustments, are as follows:

Ambulance District	Estimated Contributions Owed for the 2013 Plan year	2012 Plan Year Contributions Made in 2013
Bay Shore Ambulance District	\$ 12,809	\$ 11,960
Brentwood Volunteer Ambulance District	7,453	10,457
Central Islip - Hauppauge Volunteer Ambulance District	5,547	2,200
Exchange Ambulance of the Islips	14,576	7,192
Sayville Volunteer Ambulance District	16,429	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.

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 (currently provided by the Empire Plan, Emblem Health (HIP) or Emblem Health (Vytra)) at retirement, provided the employee retired after January 1, 1986, is at least 55 years of age and has been employed with the Town for at least five consecutive years if hired prior to January 1, 2010 and ten years for those hired after January 1, 2010. The retiree and the spouse are also eligible for Medicare reimbursement in the amount of \$1,259 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 Town, as administrator of the plan, does not issue a separate report.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

Plan Description (continued)

The number of participants as of January 1, 2013, the effective date of the OPEB valuation is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Active Employees	604	36	640
Retired Employees	664	10	674
Total	<u>1,268</u>	<u>46</u>	<u>1,314</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, 2013, the Town has assigned \$5,600,000 of fund balance for postemployment benefits.

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2013, the Town's annual other postemployment benefit cost (expense) was \$16,013,448, of which \$15,424,676 was related to governmental activities and \$588,772 was related to business-type activities. The payment of current health insurance premiums, totaled \$8,654,592 for retirees and their beneficiaries, of which \$8,489,612 was related to governmental activities and \$164,980 was related to business-type activities. The result was an increase in the other postemployment benefits liability of \$7,358,856, of which \$6,935,064 was related to governmental activities and \$423,792 was related to business-type activities for the year ended December 31, 2013. The other postemployment benefits cost for the component units for the year ended June 30, 2013 amounted to \$259,810. The annual expense, inclusive of current health insurance premiums, totaled \$70,000 for retirees and their beneficiaries; this resulted in an increase in the other postemployment benefits liability of \$189,810.

Benefit Obligations and Normal Cost

	Governmental Activities	Business-Type Activities	Total Primary Government
Active employees	\$ 82,496,811	\$ 1,206,837	\$ 83,703,648
Retired employees	<u>139,787,526</u>	<u>6,863,333</u>	<u>146,650,859</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 222,284,337</u>	<u>\$ 8,070,170</u>	<u>\$ 230,354,507</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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

Benefit Obligations and Normal Cost (continued)

The unfunded actuarial accrued liability for the Town for the year ended December 31, 2013 amounted to \$230,354,507, of which \$222,284,337 was related to governmental activities and \$8,070,170, was related to business-type activities. The unfunded actuarial accrued liability for the component units for the year ended June 30, 2013 was \$3,838,976.

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	\$ 5,081,519	\$ 212,116	\$ 5,293,635
Amortization of unfunded actuarial liability (UAAL) over 30 years	10,237,978	374,654	10,612,632
Interest	442,987	20,171	463,158
Annual required contribution (ARC)	15,762,484	606,941	16,369,425
Interest on net OPEB obligation	1,710,404	87,877	1,798,281
Adjustment to ARC	(2,048,212)	(106,046)	(2,154,258)
Annual OPEB cost	15,424,676	588,772	16,013,448
Less: Contribution for year ended December 31, 2013	8,489,612	164,980	8,654,592
Increase in other postemployment benefits liability	6,935,064	423,792	7,358,856
Other postemployment benefits liability at December 31, 2012	42,760,066	2,196,917	44,956,983
Other postemployment benefits liability at December 31, 2013	\$ 49,695,130	\$ 2,620,709	\$ 52,315,839
Percent of annual OPEB cost contributed	55.04%	28.02%	54.05%

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
<b>Governmental Activities:</b>				
December 31, 2013	\$ 15,424,676	\$ 8,489,612	55.04%	\$ 49,695,130
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
<b>Business-Type Activities:</b>				
December 31, 2013	\$ 588,772	\$ 164,980	28.02%	\$ 2,620,709
December 31, 2012	574,635	163,812	28.51%	2,196,917
December 31, 2011	548,376	157,410	28.70%	1,786,094

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

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

Funded Status and Funding Progress (continued)

The funded status of the plan as of January 1, 2013 for the primary government and the discretely presented component unit, the last available valuation, is as follows:

	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
Governmental Activities:	\$ 222,284,337	\$ -0-	\$ 222,284,337	0.00%	\$ 33,865,302	656.38%
Business-Type Activities:	8,070,170	-0-	8,070,170	0.00%	1,672,005	482.66%
Component Unit:	3,838,976	-0-	3,838,976	0.00%	768,642	499.45%

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.

In the January 1, 2013 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 9.0% healthcare cost trend increase for the year ended 2013 and reduced decrements to a rate of 5% after four years. The remaining amortization period at December 31, 2013 was 25 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, 2013 the value of the accumulated vacation time and sick leave for governmental and business-type activities was \$9,887,451. As of June 30, 2013 the value of the accumulated vacation time and sick leave for the discretely presented component units was \$522,641.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**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, 2013 for these leases are as follows:

Years Ending December 31, 2014	\$	5,985,795
2015		3,597,080
2016		3,340,379
2017		3,205,676
2018		3,008,680
Thereafter		<u>64,232,051</u>
Totals	\$	<u><u>83,369,661</u></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, 2013 to be received on non-cancelable operating leases:

Years Ending December 31, 2014	\$	431,645
2015		443,639
2016		459,511
2017		482,848
2018		495,753
Thereafter		<u>20,805,849</u>
Totals	\$	<u><u>23,119,245</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, 2013 are as follows:

Years Ending December 31, 2014	\$	113,669
2015		118,695
2016		125,517
2017		127,801
2018		131,149
Thereafter		<u>4,521,554</u>
Totals	\$	<u><u>5,138,385</u></u>



**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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.

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, 2013 and 2012 are as follows:

	Workers' Compensation		General Liability	
	2013	2012	2013	2012
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 7,811,197	\$ 8,506,391	\$ 2,892,076	\$ 2,746,094
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	2,464,331	(192,867)	1,563,176	526,699
Total incurred claims and claim adjustment expenditures	2,464,331	(192,867)	1,563,176	526,699
Payments				
Claim and claim adjustment expenditures attributable to insured events of the current and prior years	1,676,825	502,327	783,476	380,717
Total unpaid claims and claim adjustment expenditures at the end of the year	\$ 8,598,703	\$ 7,811,197	\$ 3,671,776	\$ 2,892,076

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**C. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Town to place a final cover on 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, 2013, the Town has recorded a liability of \$39,456,405 which represents the provision to be made in future budgets for unfunded closure and postclosure landfill monitoring and maintenance costs, \$5,117,000 is reported in governmental activities and \$34,339,405 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.

The one active cleanfill site, recorded in the business-type activities, is currently at 92.71% of total capacity for Phase 1, and 94.51% of total capacity for Phase II. It is estimated that an additional \$1,725,095 will be recognized as closure and postclosure care costs between December 31, 2013 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 \$2,000,000 for the remaining site that is 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 \$35,946,750, 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 \$12,233,000, Blydenburgh Road Landfill Complex, Cleanfill Landfill Phase 2, NYSDEC permit #1-4728-00628/00017 for \$17,486,500, 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 a 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.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

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

**E. RESOURCE RECOVERY FACILITY (continued)**

The Islip Resource Recovery Agency also reimburses Covanta for “pass-through costs” which consists of certain insurance costs, LIPA charges, fees, supplies 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. Obligor events include the following:

The Town:

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

In early 2014, it was confirmed that hazardous construction and demolition debris and materials were illegally discarded at various parks and sites within the Town. It is estimated that remediation and improvements to these sites will cost between \$6 and \$10 million. The Town has authorized \$6 million in serial bonds. The Town has authorized \$6 million in serial bonds as potential funding to commence clean up remediation. It’s the Town’s intention to pursue all responsible parties.

**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 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, 2013 was \$110,348.

**5. SUBSEQUENT EVENTS**

On August 11, 2014, the Town issued \$9,960,000 in Bond Anticipation Notes (BANs), at an interest rate of 0.50% maturing on December 11, 2014. The proceeds will be used for various capital projects.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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, 2013:

Condensed Statement of Net Position:

	Town of Islip Community Development Agency	Islip's Housing Development Fund Company, Inc.	Total
<b>Assets</b>			
Current and other assets	\$ 29,624,966	\$ 1,425,163	\$ 31,050,129
Capital assets, net of depreciation	2,172,538	2,555,774	4,728,312
Total Assets	<u>31,797,504</u>	<u>3,980,937</u>	<u>35,778,441</u>
<b>Liabilities</b>			
Current liabilities	1,164,315	114,440	1,278,755
Non-current liabilities	1,735,979	842,410	2,578,389
Total Liabilities	<u>2,900,294</u>	<u>956,850</u>	<u>3,857,144</u>
<b>Net Position</b>			
Net investment in capital assets	2,172,538	1,699,373	3,871,911
Restricted	25,395,990	820,580	26,216,570
Unrestricted	1,328,682	504,134	1,832,816
Total Net Position	<u>\$ 28,897,210</u>	<u>\$ 3,024,087</u>	<u>\$ 31,921,297</u>

Condensed Statement of Activities:

	Town of Islip Community Development Agency	Islip's Housing Development Fund Company, Inc.	Total
<b>Program Expenses</b>			
Expenses	\$ 6,839,147	\$ 883,834	\$ 7,722,981
Total Program Expenses	<u>6,839,147</u>	<u>883,834</u>	<u>7,722,981</u>
<b>Program Revenues</b>			
Charges for services	2,169,126	433,984	2,603,110
Operating grants	6,054,488	350,592	6,405,080
Total Program Revenues	<u>8,223,614</u>	<u>784,576</u>	<u>9,008,190</u>
<b>Net Revenue</b>	<u>1,384,467</u>	<u>(99,258)</u>	<u>1,285,209</u>
<b>Other Revenue (Expense)</b>			
Interest and investment earnings	3,947	2,153	6,100
Impairment loss recovery	842,067		842,067
<b>Total Other Revenue (Expense)</b>	<u>846,014</u>	<u>2,153</u>	<u>848,167</u>
<b>Change in Net Position</b>	<u>2,230,481</u>	<u>(97,105)</u>	<u>2,133,376</u>
<b>Net Position</b>			
Beginning of year	26,666,729	3,121,192	29,787,921
End of year	<u>\$ 28,897,210</u>	<u>\$ 3,024,087</u>	<u>\$ 31,921,297</u>

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**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. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2013, the Town and the Islip Resource Recovery Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. One of the provisions of this Statement is to recognize debt issuance costs as an outflow of resources/expense in the period incurred, as these costs no longer meet the definition of an asset or deferred outflows of resources, as defined in Statement No. 65 or Concepts Statement No. 4.

The implementation of this Statement required the Town and the Islip Resource Recovery Agency to retroactively recognize costs of debt issuance as outflows of resources and restate its net position as of January 1, 2013. As a result the Town's January 1, 2013 net position was reduced by \$640,873 from a balance of \$608,118,219 to \$607,477,346, and the Islip Resource Recovery Agency's January 1, 2013 net position was reduced by \$521,522 from a balance of \$31,888,610 to \$31,367,088. The difference represents a restatement for unamortized bond issuance costs that were amortized under the prior standard but expensed in the period incurred under the new standard.

**8. NEW PRONOUNCEMENTS**

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 Governmental Accounting Standards Board (GASB) has issued Statement No. 69 "*Governmental Combinations and Disposals of Governmental Operations*". The statement establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations. As used in this Statement, the term *government combination* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70 "*Accounting and Reporting for Nonexchange Financial Guarantees*". The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

**TOWN OF ISLIP**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**8. NEW PRONOUNCEMENTS** (continued)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71 *"Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68"*. 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 provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

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

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 31,102,313	\$ 31,102,313	\$ 31,102,313	\$ -0-
Other real property tax items	995,000	995,000	1,064,702	69,702
Non-property tax items	5,250,000	5,250,000	5,832,328	582,328
Departmental income	8,856,063	8,873,886	8,438,355	(435,531)
Intergovernmental charges	9,421,856	9,421,856	9,449,082	27,226
Use of money and property	997,634	997,634	1,073,920	76,286
Licenses and permits	643,600	643,600	641,237	(2,363)
Fines and forfeitures	720,300	720,300	783,018	62,718
Sale of property and compensation for loss	4,516,000	5,157,460	3,086,510	(2,070,950)
Miscellaneous local sources	2,432,100	3,058,376	3,688,491	630,115
Interfund revenues	4,059,863	4,059,863	4,059,863	-0-
State aid	7,412,520	7,588,503	7,740,953	152,450
Federal aid	304,000	1,465,758	1,792,062	326,304
Total Revenues	76,711,249	79,334,549	78,752,834	(581,715)
<b>EXPENDITURES</b>				
General government support	22,165,534	22,939,239	20,620,243	2,318,996
Public safety	6,186,158	8,303,781	7,218,486	1,085,295
Health	28,678	12,702	12,702	-0-
Economic assistance and opportunity	1,887,465	1,960,845	1,750,229	210,616
Culture and recreation	12,464,938	13,676,003	12,140,157	1,535,846
Home and community services	4,351,123	4,509,891	4,137,647	372,244
Employee benefits	25,491,130	24,334,246	22,386,807	1,947,439
Debt service:				
Principal	7,524,358	7,524,358	7,524,358	-0-
Interest	2,369,171	2,374,676	2,374,636	40
Bond issuance costs	100,000	100,000	98,618	1,382
Total Expenditures	82,568,555	85,735,741	78,263,883	7,471,858
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(5,857,306)</u>	<u>(6,401,192)</u>	<u>488,951</u>	<u>6,890,143</u>
<b>Other Financing Sources (Uses)</b>				
Premiums on obligations			73,257	73,257
Transfers in		333,848	425,555	91,707
Transfers out		(297,673)	(297,673)	-0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>36,175</u>	<u>201,139</u>	<u>164,964</u>
<b>Net Change in Fund Balance</b>	<u>\$ (5,857,306)</u>	<u>\$ (6,365,017)</u>	<u>690,090</u>	<u>\$ 7,055,107</u>
<b>Fund Balance at Beginning of Year</b>			<u>34,954,779</u>	
Fund Balance at End of Year			<u>\$ 35,644,869</u>	



**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**HIGHWAY FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 21,461,086	\$ 21,461,086	\$ 21,461,086	\$ -0-
Other real property tax items	200,000	200,000	449,155	249,155
Departmental income	110,000	110,000	120,687	10,687
Intergovernmental charges	410,000	410,000	454,404	44,404
Use of money and property	40,000	40,000	44,381	4,381
Licenses and permits	138,000	138,000	343,350	205,350
Sale of property and compensation for loss		31,000	66,185	35,185
Miscellaneous local sources	18,000	18,085	28,765	10,680
State aid	1,400,000	2,170,623	3,087,576	916,953
Federal aid		151,000	2,002,313	1,851,313
Total Revenues	<u>23,777,086</u>	<u>24,729,794</u>	<u>28,057,902</u>	<u>3,328,108</u>
<b>EXPENDITURES</b>				
General government support	176,324	304,724	301,895	2,829
Transportation	11,607,304	12,986,946	11,927,235	1,059,711
Employee benefits	5,011,170	4,854,939	4,314,406	540,533
Debt service:				
Principal	5,361,648	5,361,648	5,361,639	9
Interest	1,706,794	1,728,706	1,728,706	-0-
Total Expenditures	<u>23,863,240</u>	<u>25,236,963</u>	<u>23,633,881</u>	<u>1,603,082</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(86,154)</u>	<u>(507,169)</u>	<u>4,424,021</u>	<u>4,931,190</u>
<b>Other Financing Sources (Uses)</b>				
Premiums on obligations			82,468	82,468
Transfers in		1,215,048	1,771,025	555,977
Transfers out		(806,534)	(806,534)	-0-
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>408,514</u>	<u>1,046,959</u>	<u>638,445</u>
<b>Net Change in Fund Balance</b>	<u>\$ (86,154)</u>	<u>\$ (98,655)</u>	<u>5,470,980</u>	<u>\$ 5,569,635</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,432,122</u>	
Fund Balance at End of Year			<u>\$ 7,903,102</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**SOLID WASTE FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 39,037,500	\$ 39,037,500	\$ 39,047,348	\$ 9,848
Other real property tax items	3,670,850	3,670,850	3,670,850	-0-
Use of money and property	130,000	130,000	91,494	(38,506)
Miscellaneous local sources			513,559	513,559
State aid			112,544	112,544
Federal aid			467	467
Total Revenues	<u>42,838,350</u>	<u>42,838,350</u>	<u>43,436,262</u>	<u>597,912</u>
<b>EXPENDITURES</b>				
General government support	1,630,874	1,630,874	1,630,761	113
Home and community services	41,231,928	41,295,389	40,960,535	334,854
Employee benefits	478,307	459,346	437,277	22,069
Total Expenditures	<u>43,341,109</u>	<u>43,385,609</u>	<u>43,028,573</u>	<u>357,036</u>
<b>Net Change in Fund Balance</b>	<u>\$ (502,759)</u>	<u>\$ (547,259)</u>	407,689	<u>\$ 954,948</u>
<b>Fund Balance at Beginning of Year</b>			<u>4,284,323</u>	
Fund Balance at End of Year			<u>\$ 4,692,012</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
Year Ended December 31, 2013

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						
1/1/2013	\$ 222,284,337	\$ -0-	\$ 222,284,337	0.00%	\$ 33,865,302	656.38%
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						
1/1/2013	\$ 8,070,170	\$ -0-	\$ 8,070,170	0.00%	\$ 1,672,005	482.66%
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

### **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, 2013

Special Revenue Funds

	Special Revenue Funds			
	Town Outside Village	Airport	Park Improvement	Special Districts
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,478,292	\$ 524,853	\$ 430,758	\$ 19,045,586
Accounts receivable, net		787,568		440,379
Due from federal, state and other governments				438,941
Due from fiduciary funds	18,816	149		3,498,127
Due from other funds		195,277		
Prepays	106,152	202,933		12,338
	\$ 7,603,260	\$ 1,710,780	\$ 430,758	\$ 23,435,371
Total Assets				\$ 33,180,169
<b>LIABILITIES</b>				
Accounts payable	\$ 60,539	\$ 236,755		\$ 675,617
Accrued liabilities	100,627	245,269		56,527
Due to other governments				1,407,846
Due to enterprise funds	570	643		643
Due to fiduciary funds	163,369		\$ 350,000	1,081,870
Due to other funds	25,000			35,079
Deferred revenue	350,105	482,667	350,000	3,256,939
Total Liabilities				\$ 4,439,711
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	35,509	282		6,566,909
				6,602,700
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	106,152	202,933		12,338
Restricted		844,146		
Airport improvements/operations				
Assigned				
Purchases on order or contractual obligations	46,743	8,513		41,021
Debt service		172,239		55,530
Postemployment benefits	2,000,000			
Subsequent year's budget	3,559,128			1,094,449
Special revenue funds	1,505,623		80,758	12,408,185
	7,217,646	1,227,831	80,758	13,611,523
Total Fund Balances				22,137,758
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 7,603,260	\$ 1,710,780	\$ 430,758	\$ 23,435,371
				\$ 33,180,169

**TOWN OF ISLIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended December 31, 2013

	Special Revenue Funds					
	Town Outside Village	Community Development	Airport	Park Improvement	Special Districts	Total
<b>REVENUES</b>						
Real property taxes					\$ 17,253,860	\$ 17,253,860
Other real property tax items					214,042	214,042
Departmental income	\$ 5,229,720		\$ 11,798,181	\$ 17,101	2,263,311	19,308,313
Intergovernmental charges	26,433				4,913	4,913
Use of money and property	1,373,128		134,239	209	74,037	234,918
Fines and forfeitures	61,749		555,050			1,928,178
Sale of property and compensation for loss	14,817		217,097		78,664	357,510
Miscellaneous local sources	1,797,900		39,756			54,573
State aid	48,771	\$ 6,299,907	395,452		8,225	1,806,125
Federal aid		6,299,907			153,050	6,897,180
<b>Total Revenues</b>	<b>8,552,518</b>	<b>6,299,907</b>	<b>13,139,775</b>	<b>17,310</b>	<b>20,050,102</b>	<b>48,059,612</b>
<b>EXPENDITURES</b>						
General government support	1,010,209		113,745		1,318,597	2,442,551
Public safety	1,737,545				1,715,549	3,453,094
Health	201,527				7,760,264	7,961,791
Transportation			9,154,059		2,545,733	11,699,792
Culture and recreation	1,694,389				432,657	432,657
Home and community services	2,796,946	6,299,907	3,728,187		4,363,013	12,357,309
Employee benefits					280,452	6,805,585
Debt service:						
Principal	566,011		789,158		1,427,704	2,782,873
Interest	202,302		582,026		139,698	924,026
<b>Total Expenditures</b>	<b>8,208,929</b>	<b>6,299,907</b>	<b>14,367,175</b>	<b>-0-</b>	<b>19,983,667</b>	<b>48,859,678</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>343,589</b>	<b>-0-</b>	<b>(1,227,400)</b>	<b>17,310</b>	<b>66,435</b>	<b>(800,066)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	38,835					38,835
Premiums on obligations	8,444					8,444
Transfers out	(320,900)			(350,000)		(670,900)
<b>Total Other Financing Sources (Uses)</b>	<b>(273,621)</b>	<b>-0-</b>	<b>-0-</b>	<b>(350,000)</b>		<b>(623,621)</b>
<b>Net Change in Fund Balance</b>	<b>69,968</b>	<b>-0-</b>	<b>(1,227,400)</b>	<b>(332,690)</b>	<b>66,435</b>	<b>(1,423,687)</b>
<b>Fund Balances at Beginning of Year</b>	<b>7,147,678</b>	<b>-0-</b>	<b>2,455,231</b>	<b>413,448</b>	<b>13,545,098</b>	<b>23,561,445</b>
<b>Fund Balances at End of Year</b>	<b>\$ 7,217,646</b>	<b>\$ -0-</b>	<b>\$ 1,227,831</b>	<b>\$ 80,758</b>	<b>\$ 13,611,523</b>	<b>\$ 22,137,758</b>

**TOWN OF ISLIP**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL DISTRICT FUNDS**  
December 31, 2013

		Special Revenue Funds							
	Ambulance Districts	Fire Protection Districts	Street Lighting Districts	Erosion Control Districts	Lifeguard District	Water Districts	Miscellaneous Districts	Total	
<b>ASSETS</b>									
Cash and cash equivalents	\$ 2,526,454	\$ 542,112	\$ 5,987,400	\$ 2,290,434	\$ 189,110	\$ 6,789,674	\$ 720,402	\$	19,045,586
Accounts receivable, net						440,379			440,379
Due from federal, state and other governments				32,899		406,042			438,941
Due from fiduciary funds	1,544,070	412,727	815,907	101,099	134,001	395,038	95,285		3,498,127
Prepaids			1,870		10,468				12,338
Total Assets	\$ 4,070,524	\$ 954,839	\$ 6,805,177	\$ 2,424,432	\$ 333,579	\$ 8,031,133	\$ 815,687	\$	23,435,371
<b>LIABILITIES</b>									
Accounts payable			\$ 662,804	\$ 10,100	\$ 1,295		\$ 1,418	\$	675,617
Accrued liabilities	\$ 54,815		1,712						56,527
Due to other governments						\$ 1,407,846			1,407,846
Due to other funds			1,870	1,080,000					1,081,870
Deferred revenues				35,079					35,079
Total Liabilities	54,815		666,386	1,125,179	1,295	1,407,846	1,418		3,256,939
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue	2,891,645	\$ 778,914	1,530,173	190,797	252,892	742,663	179,825		6,566,909
<b>FUND BALANCES</b>									
Nonspendable			1,870						12,338
Prepaids					10,468				41,021
Assigned			5,071	33,790			2,160		55,530
Purchases on order or contractual obligations									
Debt service									
Subsequent year's budget	472,200	46,000	500	161,590	30,000	319,577	64,582		1,094,449
Special revenue funds	651,864	129,925	4,601,177	913,076	38,924	5,561,047	512,172		12,408,185
Total Fund Balances	1,124,064	175,925	4,608,618	1,108,456	79,392	5,880,624	634,444		13,611,523
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 4,070,524	\$ 954,839	\$ 6,805,177	\$ 2,424,432	\$ 333,579	\$ 8,031,133	\$ 815,687	\$	23,435,371

**TOWN OF ISLIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL DISTRICT FUNDS**  
Year Ended December 31, 2013

	Special Revenue Funds							Total
	Ambulance Districts	Fire Protection Districts	Street Lighting Districts	Erosion Control Districts	Lifeguard District	Water Districts	Miscellaneous Districts	
REVENUES								
Real property taxes	\$ 7,041,780	\$ 1,788,226	\$ 4,273,985	\$ 1,103,000	\$ 609,522	\$ 1,975,138	\$ 462,209	\$ 17,253,860
Other real property tax items	116,800		81,776			15,466		214,042
Departmental income						2,263,311		2,263,311
Intergovernmental charges						4,913		4,913
Use of money and property	16,333	3,257	21,503	6,433	1,256	21,539	3,716	74,037
Sale of property and compensation for loss			40,881				37,783	78,664
State aid			11,310	8,225				8,225
Federal aid				141,740				
Total Revenues	7,174,913	1,791,483	4,429,455	1,259,398	610,778	4,280,367	503,708	20,050,102
EXPENDITURES								
General government support	389,403	106,029	370,988	120,443	45,670	252,389	33,675	1,318,597
Public safety		1,715,549						1,715,549
Health	7,720,440		2,537,158				39,824	7,760,264
Transportation								
Culture and recreation								
Home and community services					430,157		8,575	2,545,733
Employee benefits				344,966			2,500	432,657
Debt Service:	66,629		77,925		127,086		204,580	4,363,013
Principal								
Interest								
Total Expenditures	8,176,472	1,821,578	3,038,794	1,551,781	602,913	4,324,875	467,254	19,983,667



**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**TOWN OUTSIDE VILLAGE FUND**  
**Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Other real property tax items	\$ 23,000	\$ 23,000		\$ (23,000)
Departmental income	5,078,850	5,078,850	\$ 5,229,720	150,870
Use of money and property	55,000	55,000	26,433	(28,567)
Fines and forfeitures	1,000,000	1,000,000	1,373,128	373,128
Sale of property and compensation for loss	110,000	110,000	61,749	(48,251)
Miscellaneous local sources	2,230	2,230	14,817	12,587
State aid	1,500,000	1,797,597	1,797,900	303
Federal aid		19,090	48,771	29,681
Total Revenues	<u>7,769,080</u>	<u>8,085,767</u>	<u>8,552,518</u>	<u>466,751</u>
<b>EXPENDITURES</b>				
General government support	1,011,471	1,284,826	1,010,209	274,617
Public safety	1,723,642	1,838,883	1,737,545	101,338
Health	205,963	203,055	201,527	1,528
Home and community services	1,697,365	1,819,115	1,694,389	124,726
Employee benefits	3,257,429	2,981,239	2,796,946	184,293
Debt Service:				
Principal	566,012	566,012	566,011	1
Interest	202,172	202,302	202,302	-0-
Total Expenditures	<u>8,664,054</u>	<u>8,895,432</u>	<u>8,208,929</u>	<u>686,503</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(894,974)</u>	<u>(809,665)</u>	<u>343,589</u>	<u>1,153,254</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	36,000	71,000	38,835	(32,165)
Premiums on obligations			8,444	8,444
Transfers out		(320,900)	(320,900)	-0-
Total Other Financing Sources (Uses)	<u>36,000</u>	<u>(249,900)</u>	<u>(273,621)</u>	<u>(23,721)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (858,974)</u>	<u>\$ (1,059,565)</u>	<u>69,968</u>	<u>\$ 1,129,533</u>
<b>Fund Balance at Beginning of Year</b>			<u>7,147,678</u>	
Fund Balance at End of Year			<u>\$ 7,217,646</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**AIRPORT FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Departmental income	\$ 11,478,000	\$ 11,925,470	\$ 11,798,181	\$ (127,289)
Use of money and property	8,300	8,300	134,239	125,939
Fines and forfeitures	1,500	1,500	555,050	553,550
Sale of property and compensation for loss			217,097	217,097
Miscellaneous local sources	1,000	1,000	39,756	38,756
Federal aid			395,452	395,452
Total Revenues	<u>11,488,800</u>	<u>11,936,270</u>	<u>13,139,775</u>	<u>1,203,505</u>
<b>EXPENDITURES</b>				
General government support	115,175	115,175	113,745	1,430
Transportation	9,851,246	9,971,088	9,154,059	817,029
Employee benefits	4,195,263	4,075,421	3,728,187	347,234
Debt Service:				
Principal	712,411	789,159	789,158	1
Interest	211,305	582,027	582,026	1
Total Expenditures	<u>15,085,400</u>	<u>15,532,870</u>	<u>14,367,175</u>	<u>1,165,695</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,596,600)</u>	<u>\$ (3,596,600)</u>	<u>(1,227,400)</u>	<u>\$ 2,369,200</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,455,231</u>	
Fund Balance at End of Year			<u>\$ 1,227,831</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**AMBULANCE DISTRICTS FUND**  
**Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 7,041,780	\$ 7,041,780	\$ 7,041,780	\$ -0-
Other real property tax items	84,781	84,781	116,800	32,019
Use of money and property	24,800	24,800	16,333	(8,467)
Total Revenues	<u>7,151,361</u>	<u>7,151,361</u>	<u>7,174,913</u>	<u>23,552</u>
<b>EXPENDITURES</b>				
General government support	389,403	389,403	389,403	-0-
Health	7,158,158	7,802,158	7,720,440	81,718
Employee benefits	76,000	76,000	66,629	9,371
Total Expenditures	<u>7,623,561</u>	<u>8,267,561</u>	<u>8,176,472</u>	<u>91,089</u>
<b>Net Change in Fund Balance</b>	<u>\$ (472,200)</u>	<u>\$ (1,116,200)</u>	<u>(1,001,559)</u>	<u>\$ 114,641</u>
<b>Fund Balance at Beginning of Year</b>			<u>2,125,623</u>	
Fund Balance at End of Year			<u>\$ 1,124,064</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FIRE PROTECTION DISTRICTS FUND**  
**Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 1,788,226	\$ 1,788,226	\$ 1,788,226	\$ -0-
Use of money and property	4,930	4,930	3,257	(1,673)
Total Revenues	<u>1,793,156</u>	<u>1,793,156</u>	<u>1,791,483</u>	<u>(1,673)</u>
<b>EXPENDITURES</b>				
General government support	106,029	106,029	106,029	-0-
Public safety	1,723,127	1,723,127	1,715,549	7,578
Total Expenditures	<u>1,829,156</u>	<u>1,829,156</u>	<u>1,821,578</u>	<u>7,578</u>
<b>Net Change in Fund Balance</b>	<u>\$ (36,000)</u>	<u>\$ (36,000)</u>	<u>(30,095)</u>	<u>\$ 5,905</u>
<b>Fund Balance at Beginning of Year</b>			<u>206,020</u>	
Fund Balance at End of Year			<u>\$ 175,925</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**STREET LIGHTING DISTRICTS FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 4,273,985	\$ 4,273,985	\$ 4,273,985	\$ -0-
Other real property tax items			81,776	81,776
Use of money and property	21,430	21,430	21,503	73
Sale of property and compensation for loss			40,881	40,881
Federal aid			11,310	11,310
Total Revenues	<u>4,295,415</u>	<u>4,295,415</u>	<u>4,429,455</u>	<u>134,040</u>
<b>EXPENDITURES</b>				
General government support	371,018	371,018	370,988	30
Transportation	3,344,927	3,344,927	2,537,158	807,769
Employee benefits	87,672	87,672	77,925	9,747
Debt service:				
Principal	363,578	363,578	34,577	329,001
Interest	202,147	202,147	18,146	184,001
Total Expenditures	<u>4,369,342</u>	<u>4,369,342</u>	<u>3,038,794</u>	<u>1,330,548</u>
<b>Net Change in Fund Balance</b>	<u>\$ (73,927)</u>	<u>\$ (73,927)</u>	1,390,661	<u>\$ 1,464,588</u>
<b>Fund Balance at Beginning of Year</b>			<u>3,217,957</u>	
Fund Balance at End of Year			<u>\$ 4,608,618</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**EROSION CONTROL DISTRICTS FUND**  
**Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 1,103,000	\$ 1,103,000	\$ 1,103,000	\$ -0-
Use of money and property	9,710	9,710	6,433	(3,277)
State aid			8,225	8,225
Federal aid			141,740	141,740
Total Revenues	<u>1,112,710</u>	<u>1,112,710</u>	<u>1,259,398</u>	<u>146,688</u>
<b>EXPENDITURES</b>				
General government support	120,443	120,443	120,443	-0-
Home and community services	416,194	524,969	344,966	180,003
Debt service:				
Principal	1,080,000	1,080,000	1,080,000	-0-
Interest	21,600	21,600	6,372	15,228
Total Expenditures	<u>1,638,237</u>	<u>1,747,012</u>	<u>1,551,781</u>	<u>195,231</u>
<b>Net Change in Fund Balance</b>	<u>\$ (525,527)</u>	<u>\$ (634,302)</u>	<u>(292,383)</u>	<u>\$ 341,919</u>
<b>Fund Balance at Beginning of Year</b>			<u>1,400,839</u>	
Fund Balance at End of Year			<u>\$ 1,108,456</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**LIFEGUARD DISTRICT FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 609,522	\$ 609,522	\$ 609,522	\$ -0-
Use of money and property	2,300	2,300	1,256	(1,044)
Total Revenues	<u>611,822</u>	<u>611,822</u>	<u>610,778</u>	<u>(1,044)</u>
<b>EXPENDITURES</b>				
General government support	45,817	45,817	45,670	147
Culture and recreation	462,280	446,887	430,157	16,730
Employee benefits	133,805	149,198	127,086	22,112
Total Expenditures	<u>641,902</u>	<u>641,902</u>	<u>602,913</u>	<u>38,989</u>
<b>Net Change in Fund Balance</b>	<u>\$ (30,080)</u>	<u>\$ (30,080)</u>	7,865	<u>\$ 37,945</u>
<b>Fund Balance at Beginning of Year</b>			<u>71,527</u>	
Fund Balance at End of Year			<u>\$ 79,392</u>	

**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**WATER DISTRICTS FUND**  
Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 1,975,138	\$ 1,975,138	\$ 1,975,138	\$ -0-
Other real property tax items	20,500	20,500	15,466	(5,034)
Departmental income	2,104,000	2,104,000	2,263,311	159,311
Intergovernmental charges	6,130	6,130	4,913	(1,217)
Use of money and property	27,640	28,052	21,539	(6,513)
Total Revenues	<u>4,133,408</u>	<u>4,133,820</u>	<u>4,280,367</u>	<u>146,547</u>
<b>EXPENDITURES</b>				
General government support	252,389	252,389	252,389	-0-
Home and community services	3,800,280	3,960,967	3,813,467	147,500
Employee benefits	8,400	8,812	8,812	-0-
Debt service:				
Principal	170,665	170,665	170,665	-0-
Interest	79,543	79,543	79,542	1
Total Expenditures	<u>4,311,277</u>	<u>4,472,376</u>	<u>4,324,875</u>	<u>147,501</u>
<b>Net Change in Fund Balance</b>	<u>\$ (177,869)</u>	<u>\$ (338,556)</u>	(44,508)	<u>\$ 294,048</u>
<b>Fund Balance at Beginning of Year</b>			<u>5,925,132</u>	
Fund Balance at End of Year			<u>\$ 5,880,624</u>	



**TOWN OF ISLIP**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MISCELLANEOUS DISTRICTS FUND**  
**Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 462,209	\$ 462,209	\$ 462,209	\$ -0-
Use of money and property	3,365	3,365	3,716	351
Sale of property and compensation for loss		13,500	37,783	24,283
Total Revenues	<u>465,574</u>	<u>479,074</u>	<u>503,708</u>	<u>24,634</u>
<b>EXPENDITURES</b>				
General government support	33,675	33,675	33,675	-0-
Health	42,541	55,892	39,824	16,068
Transportation	27,187	27,187	8,575	18,612
Culture and recreation	12,010	12,010	2,500	9,510
Home and community services	212,057	212,206	204,580	7,626
Debt service:				
Principal	142,462	142,462	142,462	-0-
Interest	35,641	35,641	35,638	3
Total Expenditures	<u>505,573</u>	<u>519,073</u>	<u>467,254</u>	<u>51,819</u>
<b>Net Change in Fund Balance</b>	<u>\$ (39,999)</u>	<u>\$ (39,999)</u>	36,454	<u>\$ 76,453</u>
<b>Fund Balance at Beginning of Year</b>			<u>597,990</u>	
Fund Balance at End of Year			<u>\$ 634,444</u>	