

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2021

NEW ISSUE – SERIAL BONDS

RATING - MOODY'S INVESTORS SERVICE: " "

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivision, including The City of New York. See "Tax Matters" herein.*

*The Town will designate the Bonds as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.*

**\$6,844,670\***

**TOWN OF SMITHTOWN  
SUFFOLK COUNTY, NEW YORK  
(the "Town")**

**PUBLIC IMPROVEMENT SERIAL BONDS – 2021**

**Dated: March 30, 2021**

**Principal Due: February 15, 2022-2036, inclusive  
Interest Due: February 15, 2022, August 15, 2022 and  
semiannually thereafter in each year  
to maturity**

**SEE BOND MATURITY SCHEDULE HEREIN**

The Bonds are general obligations of the Town of Smithtown, Suffolk County, New York (the "Town"), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law" herein).

The Bonds maturing on February 15, 2029 and thereafter are subject to redemption prior to maturity, at the option of the Town, as a whole or in part, on any date on or after February 15, 2028. (See "Optional Redemption" under "THE BONDS," herein.)

At the option of the purchaser, the Bonds may be either (i) registered to the purchaser or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds.

For bonds registered in the name of the purchaser, a single bond certificate shall be issued for each maturity and principal of and interest on such Bonds will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

The Bonds issued in book-entry form will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single bond certificate will be issued for each maturity of any book-entry Bonds. Principal of and interest on book-entry Bonds will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "Description of Book-Entry System" under "THE BONDS," herein).

Sealed bids for the Bonds will be received at 11:00 A.M. (Prevailing Time) on March 18, 2021, in accordance with the Notice of Sale dated March 8, 2021.

*The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Town, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC in Jersey City, New Jersey, or as otherwise agreed to by the Town and the Purchaser, on or about March 30, 2021 in New York, New York.*

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE TOWN FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE TOWN'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**TOWN OF SMITHTOWN  
SUFFOLK COUNTY, NEW YORK**

**\$6,844,670\* PUBLIC IMPROVEMENT SERIAL BONDS - 2021**

**BOND MATURITY SCHEDULE**

**Dated: March 30, 2021**

**Principal Due: February 15, 2022-2036, inclusive  
Interest Due: February 15, 2022, August 15, 2022 and  
semiannually thereafter in each year  
to maturity**

<u>Year</u>	<u>Amount**</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2022	\$ 489,670			
2023	575,000			
2024	585,000			
2025	605,000			
2026	605,000			
2027	435,000			
2028	435,000			
2029	430,000***			
2030	430,000***			
2031	420,000***			
2032	370,000***			
2033	370,000***			
2034	370,000***			
2035	365,000***			
2036	360,000***			

\*Preliminary, subject to change.

\*\*Amounts are subject to adjustment by the Town following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 (c)(2) of the Local Finance Law.

\*\*\*Subject to prior redemption. (See "Optional Redemption" herein.)



**TOWN OF SMITHTOWN  
SUFFOLK COUNTY, NEW YORK**

Town Hall Annex  
40 Maple Avenue  
Smithtown, NY 11787  
Telephone: 631/360-7530  
Fax: 631/360-7625

**TOWN BOARD**

Edward R. Wehrheim, Town Supervisor

Lisa M. Inzerillo  
Thomas W. Lohmann

Thomas J. McCarthy  
Lynne C. Nowick

Vincent Puleo, Town Clerk  
Deanna Varricchio, Receiver of Taxes  
Matthew V. Jakubowski, Esq., Town Attorney  
Donald P. Musnug, CPA, Town Comptroller

\* \* \*

**BOND COUNSEL**

Hawkins Delafield & Wood LLP  
New York, New York

\* \* \*

**MUNICIPAL ADVISOR**



Municipal Finance Advisory Service

12 Roosevelt Avenue  
Port Jefferson Station, N.Y. 11776  
(631) 331-8888

E-mail: [info@munistat.com](mailto:info@munistat.com)  
Website: <http://www.munistat.com>

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

## TABLE OF CONTENTS

	Page
<b>THE BONDS .....</b>	<b>1</b>
Description of the Bonds .....	1
Optional Redemption.....	2
Description of Book-Entry System.....	2
Certificated Bonds .....	3
Authorization and Purpose .....	4
Nature of Obligation.....	4
<b>MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE .....</b>	<b>5</b>
<b>REMEDIES UPON DEFAULT.....</b>	<b>6</b>
<b>MUNICIPAL BANKRUPTCY.....</b>	<b>7</b>
Financial Control Boards.....	8
No Past Due Debt .....	8
<b>THE TOWN .....</b>	<b>8</b>
Description.....	8
Utilities and Other Services .....	9
Governmental Organization.....	9
Employees .....	10
<b>DEMOGRAPHIC AND STATISTICAL INFORMATION .....</b>	<b>10</b>
Population Statistics.....	10
Income Data.....	10
Building Permits .....	11
Selected Listing of Sizeable Employers .....	11
Unemployment Rate Statistics.....	11
<b>INDEBTEDNESS OF THE TOWN .....</b>	<b>12</b>
Constitutional Requirements.....	12
Statutory Procedure .....	12
Trend of Town Indebtedness .....	13
Debt Service Requirements – Outstanding Bonds.....	14
Debt Service Requirements – Outstanding Leases .....	14
Computation of Debt Limit and Calculation of Net Debt Contracting Margin .....	15
Calculation of Estimated Overlapping and Underlying Indebtedness.....	16
Debt Ratios .....	16
Capital Project Plans.....	17
Authorized but Unissued Debt .....	17
<b>FINANCIAL MATTERS .....</b>	<b>18</b>
Financial Statements and Accounting Procedures.....	18
<i>Fund Structure and Accounts</i> .....	18
<i>Basis of Accounting</i> .....	18

## TABLE OF CONTENTS - CONTINUED

	Page
Investment Policy .....	18
Revenues.....	19
<i>Real Property Taxes</i> .....	19
Tax and Revenue Anticipation Notes .....	19
State Aid .....	19
Expenditures .....	21
Budgetary Procedures.....	21
The State Comptroller’s Fiscal Stress Monitoring System .....	21
Pension System.....	22
Contributions to the Retirement Systems .....	22
Other Post Employment Benefits .....	22
<b>REAL PROPERTY TAX INFORMATION .....</b>	<b>24</b>
Real Property Taxes.....	23
Tax Levy and Collection Record.....	24
Tax Collection Procedure .....	25
Tax Levy Limit Law .....	26
Tax Rates .....	26
Selected Listing of Large Taxable Properties.....	27
Tax Certiorari Claims .....	27
<b>LITIGATION.....</b>	<b>27</b>
<b>CYBERSECURITY.....</b>	<b>27</b>
<b>TAX MATTERS .....</b>	<b>28</b>
Opinion of Bond Counsel.....	28
Certain Ongoing Federal Tax Requirements and Certifications.....	28
Certain Collateral Federal Tax Consequences.....	28
Original Issue Discount .....	29
Bond Premium .....	29
Information Reporting and Backup Withholding .....	29
Miscellaneous .....	30
<b>LEGAL MATTERS.....</b>	<b>30</b>
<b>DISCLOSURE UNDERTAKING .....</b>	<b>30</b>
<b>BOND RATING.....</b>	<b>30</b>
<b>MUNICIPAL ADVISOR.....</b>	<b>30</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>31</b>
<b>APPENDIX A: FINANCIAL INFORMATION</b>	
<b>APPENDIX B: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019</b>	
<b>APPENDIX C: FORM OF BOND COUNSEL OPINION</b>	
<b>APPENDIX D: FORM OF CONTINUING DISCLOSURE</b>	

# OFFICIAL STATEMENT

**\$6,844,670**

## TOWN OF SMITHTOWN SUFFOLK COUNTY, NEW YORK

### PUBLIC IMPROVEMENT SERIAL BONDS – 2021

This Official Statement and the appendices hereto present certain information relating to the Town of Smithtown, in the County of Suffolk, in the State of New York (the “Town,” “County” and “State,” respectively) in connection with the sale of \$6,844,670 Public Improvement Serial Bonds – 2021 (the “Bonds”) of the Town.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the Town’s overall economic situation and outlook (and all of the specific Town-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See “RISK FACTORS ” and “IMPACTS OF COVID-19” herein.

#### THE BONDS

##### Description of the Bonds

The Bonds will be dated March 30, 2021, and will mature on February 15, in each of the years 2022 to 2036, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Bonds may be either (i) registered to the purchaser or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York (“DTC”) as book-entry bonds.

For bonds registered in the name of the purchaser, a single bond certificate shall be issued for each maturity and principal of and interest on such Bonds will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

The Bonds issued in book-entry form will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single bond certificate will be issued for each maturity of any book-entry Bonds. Principal of and interest on book-entry Bonds will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See “*Description of Book-Entry System*” under “*THE BONDS,*” herein).

The Record Date of the Bonds will be the last day (whether or not a business day) of the calendar month immediately preceding each interest payment date.

The Town Clerk will act as Fiscal Agent for the Bonds and the purchaser may act as paying agent. Paying agent fees, if any, will be paid by the purchaser. The Town’s contact information is as follows: Donald P. Musgnug, CPA, Town Comptroller, Town of Smithtown, Town Hall Annex 40 Maple Avenue, Smithtown, NY 11787, telephone number (631) 360-7530 and email: [dmusgnug@tosgov.com](mailto:dmusgnug@tosgov.com).

## **Optional Redemption**

The Bonds maturing on or before February 15, 2028 will not be subject to redemption prior to maturity. The Bonds maturing on February 15, 2029 and thereafter will be subject to redemption prior to maturity, at the option of the Town, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after February 15, 2028, at par plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

## **Description of Book-Entry System**

DTC will act as Securities Depository for any Bonds issued as book-entry bonds. Such Bonds will be issued as fully registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC.

DTC is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants") and together with Direct Participant, the ("Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

### **Certificated Bonds**

Principal of and interest on Bonds that are registered in the name of the purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

If the Bonds are issued as book-entry bonds registered in the name of Cede & Co., DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that such book-entry system is discontinued, the following provisions will apply: The Bonds will be issued in registered form in denominations of \$5,000, or integral multiples thereof, except for one necessary odd denomination. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the Town as the fiscal agent. Certificated Bonds may be transferred or exchanged at no cost to the owner of such Bonds at any time prior to maturity at the corporate trust office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

### Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and various bond resolutions duly adopted by the Town Board, authorizing the issuance of serial bonds for the following purposes:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Authorized but Unissued</u>	<u>Total Amount to be Issued</u>
01/21/19	Gedney Avenue Drainage Improvements	\$ 299,425	\$ 299,425	\$ 299,425
01/21/21	Highway Heavy Equipment Replacement	964,250	964,250	812,000
01/21/21	Acquisition of Machinery and Equipment	395,850	395,850	395,850
01/21/21	Kings Park Salt Barn Improvements	456,750	456,750	456,750
11/21/19	Lake Avenue Streetscaping	1,522,500	1,522,500	1,522,500
01/21/21	IT Improvements	635,915	635,915	635,915
01/21/21	Purchase of 6 Column Rotary Lifts	77,140	77,140	77,140
01/21/21	Bay Constable Office Renovation	203,000	203,000	203,000
01/21/21	Park Improvements	1,613,850	1,613,850	1,613,850
01/21/21	Design and Engineering for Buildings at SLCC	50,750	50,750	50,750
01/21/21	Purchase of New Bay Constable Boat	177,625	177,625	177,625
01/21/21	Senior Center Audio Visual Equipment	50,750	50,750	50,750
01/21/21	Replacement of Guardrails Townwide	50,750	50,750	50,750
01/21/21	Traffic Signals and Traffic Signs Improvements	341,040	341,040	341,040
01/21/21	Solar Array Feasibility Study	55,825	55,825	55,825
01/21/21	Long Island Innovation Park Signs	101,500	101,500	101,500
Total:		<u>\$6,996,920</u>	<u>\$6,996,920</u>	<u>\$6,844,670</u>

For further information regarding bond authorizations of the Town for capital purposes and other matters relating thereto see “Indebtedness of the Town”.

### Nature of Obligation

Each Bond when duly issued and paid for will constitute a contract between the Town and the holder thereof.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. (See “*Tax Levy Limit Law*”, herein).

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefor. However, Chapter 97 of the New York Laws of 2011, as amended (the “*Tax Levy Limit Law*”), imposes a limitation upon the Town’s power to increase its annual tax levy. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations set forth in the *Tax Levy Limit Law*, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See “*Tax Levy Limit Law*,” herein).

## RISK FACTORS

The following description summarizes some of the risks associated with an investment in the Bonds and does not purport to be complete. The factors affecting the Town's financial condition described throughout this Official Statement are complex and are not intended to be summarized in any one section. This Official Statement should be read in its entirety.

The Town's credit rating and financial and economic conditions, as well as the market for the Bonds, could be affected by a variety of circumstances, some of which are beyond the Town's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Town property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Town's credit rating could adversely affect the market value of the Bonds.

If and when an owner of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds. The market value of the Bonds is dependent upon the ability of holder to potentially incur a capital loss if such Bond is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Town to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The Town is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans expected to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Town can be paid only if the State has such monies available therefor. Should the Town fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Town is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Town will have market access for any such borrowing on a cost effective basis. (See also "State Aid" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds, for income taxation purposes could have an adverse effect on the market value of the Bonds (see "Tax Matters" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Town, may affect the market price and/or marketability for the Bonds. (See "Tax Levy Limit Law" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Town, could impair the financial condition of such entities, including the Town, and the ability of such entities, including the Town, to pay debt service on the Bonds.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Town's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Town's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Town. The Town is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" herein) (See "Impacts of COVID-19" herein).

## REMEDIES UPON DEFAULT

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds should the Town default in the payment of principal of or interest on the Bonds, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds upon the occurrence of any such default. Each Bond is a general obligation contract between the Town and the owners for which the faith and credit of the Town are pledged and while remedies for enforcement of payment are not expressly included in the Town's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Bond, the owner of such Bond could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Town subject to taxation by the Town, sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Town, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Pursuant to Article VIII, Section 2 of the State Constitution, the Town is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Town should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Town could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the Town, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a financial control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Town in the future cannot be assured.

No current state law purports to create any priority for holders of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Town is currently considering or expects to resort to the provisions of the Bankruptcy Act.

## **Financial Control Boards**

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity by the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities, and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

### **No Past Due Debt**

No principal or interest payment on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and/or interest on any indebtedness.

## **THE TOWN**

### **Description**

The Town, which has an estimated population of 116,034 (2019 U.S. Census Bureau), is located in the north central section of Long Island, about 45 miles from New York City, and has a land area of approximately 54 square miles. The Town of Huntington borders on the west, the Town of Brookhaven borders on the east, and the Town of Islip borders on the south. Three incorporated villages are situated within the Town (The Branch, Head of the Harbor and Nissequoque), as well as a number of larger unincorporated communities, including Smithtown, Kings Park, St. James and Nesconset, and sections of both Commack and Hauppauge.

There are several large shopping centers in the Town, including one of Long Island's largest retail centers, the Smithhaven Mall, which is situated on the Smithtown-Brookhaven border. The Mall is owned by Simon, a global leader in the ownership of premier shopping, dining, and entertainment. The Smithhaven Mall occupies 102 acres (part in each town) and has over 130 stores including Macy's, Dick's Sporting Goods, Apple, H&M, and L.L. Bean. There are a number of dining options to choose from, including PF Changs, The Cheesecake Factory and California Pizza Kitchen. The Mall has areas partially enclosed for year-round shopping comfort. Another large shopping complex located in Commack is anchored by a Target Department Store, Home Depot, Wal-Mart and Costco.

There is one hospital within the Town, St. Catherine of Siena, located on Route 25A. The hospital, with a bed capacity of over 500, has modern medical facilities containing diagnostic and therapeutic equipment for complete medical, surgical, obstetrical and pediatric care.

The Town operates a number of beaches, parks and playgrounds. In addition, there are five private country clubs, as well as four private yacht clubs and marinas. The Town owns the Paul J. Fitzpatrick Smithtown Landing Country Club (the "Club") which is one of the few remaining large tracts of lands on the north shore of Long Island. The Club provides three swimming pools, and open space as well as two golf courses, pro shop, restaurant, snack bars and numerous meeting rooms and dining rooms. Senior citizens use the facilities extensively at special rates, and meet there regularly.

The Hauppauge Innovation Park located within the Town is eleven square miles with 1350 businesses, generating \$13.4 billion in annual revenues. The park employs 55,000 people and accounts for one in every 20 jobs on Long Island. It is the largest park of its kind in the Northeast by number of companies and employees. A new substation was constructed post Superstorm Sandy by PSEG-LI to serve the park and take precautionary measures. There is also a sewer expansion project in the park underway. The sewer upgrade will connect all properties to a new 1.6 million gallon per day treatment plant, which is already built and operational. In 2015, the Town Planning Director worked out a draft amendment to facilitate growth by permitting higher building, parking garages as accessory to certain uses, and outdoor storage. The Town Board approved an overlay district to increase the zoning heights in 2020.

The Library District has its own elected Board of Trustees and voter-approved budget and tax levy. The boundaries of the Library District are coterminous with the boundaries of the Town with the exception of the portions of the Town located within the Sachem Central School District and the Three Village Central School District. The Library District owns, operates and maintains its facilities.

Six independently governed school districts (Commack, Hauppauge, Kings Park, Sachem, Smithtown and Three Village) are located wholly or partially within the Town which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

The Town maintains its own interior road network. New York State Highways No. 25 (Jericho Turnpike), 25A (North Country Road), Nesconset Highway and Veterans Memorial Highway are major commercial east-west travel routes. In addition, the Long Island Expressway and Northern State Parkway cross the Town in its southwestern sector. Air travel is provided for the residents of the Town at the Long Island MacArthur Airport, located nearby in Islip, which is served by several scheduled airlines with flights throughout the northeast and Florida. The Long Island Rail Road stops at three stations within the Town: Kings Park, Smithtown, and St. James.

### **Utilities and Other Services**

Electricity and natural gas are supplied to the Town by PSEG Long Island and National Grid, respectively. The Suffolk County Water Authority and the Town are suppliers of water to its residents; the Town supplies water through a number of special assessment water districts and is responsible for the financing and construction of water transmission lines as well as maintenance of the necessary facilities in such districts. Sanitary sewer services are provided to some Town residents by the construction of the facilities in the various County Sewer Districts. Police protection is provided by the County and State Police and fire protection is provided by independent volunteer fire districts.

### **Governmental Organization**

Subject to the provisions of the State Constitution, the Town operates pursuant to Town Law, General Municipal Law, Local Finance Law, other laws generally applicable to the Town, and any special laws applicable to the Town. Under such laws, there is no authority for the Town to have a charter, but pursuant to the Town Law and other laws generally applicable to home rule, the Town may from time to time adopt local laws.

The legislative power of the Town is vested in the Town Board, which consists of five members, including the Supervisor, who is the chief executive officer and chief fiscal officer of the Town, elected for a term of four years. The four other members of the Town Board are elected to four-year terms, which terms are staggered such that two board members are elected every two years. All the Town Board members are elected at large and there is no limitation to the number of terms each may serve.

The Town Clerk, Receiver of Taxes and Highway Superintendent are also elected to four-year terms. The Town Board appoints the Assessor, the Town Attorney, the Town Comptroller and the Town Engineer.

### Employees

The Town provides services through approximately 1,200 full-time, part-time and seasonal employees. Some of such employees are represented by organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Civil Service Employees Association	12/31/2022	399
Smithtown Administrative Guild	12/31/2020 <sup>a</sup>	35
Civil Service Employees Association (Part-Time Employees)	12/31/2023	50
Public Safety (Part-Time Employees)	In Negotiation	52

Source: Town Officials.  
a. Contract in negotiations.

### DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Town, the County, the State and the United States.

#### Population Statistics

Since 1980, the Town has had a population trend, as compared to the County and the State, as indicated below:

<u>Year</u>	<u>Town of Smithtown</u>	<u>County of Suffolk</u>	<u>State of New York</u>
1980	116,663	1,284,231	17,557,288
1990	113,406	1,321,864	17,990,455
2000	115,715	1,419,369	18,976,457
2010	117,801	1,493,350	19,378,102
2019	116,034	1,476,601	19,453,561

Source: U.S. Bureau of the Census.

#### Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019<sup>a</sup></u>
Town of Smithtown	\$21,465	\$31,401	\$43,022	\$57,191
County of Suffolk	18,481	26,577	35,755	48,381
State of New York	16,501	23,389	30,948	41,857
	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019<sup>a</sup></u>
Town of Smithtown	\$60,068	\$80,421	\$104,665	\$122,039
County of Suffolk	53,244	72,112	84,506	106,228
State of New York	39,741	51,691	55,603	72,108

Source: United States Bureau of the Census.  
a. Based on American Community Survey 5-Year Estimates (2015-2019).

## Building Permits

Statistics below on building permits and industrial/commercial site plans reviewed indicate the trend of the level of activity.

### Building Permits Issued - All Types

<u>Year</u>	<u>Number of Permits</u>
2016	1872
2017	1780
2018	1945
2019	1784
2020	1665

### Selected Listing of Sizeable Employers

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
St. Catherine of Siena Hospital	Hospital	2,000
Developmental Disabilities Institute	Health Care Services	1,750
Smithtown Central School District	Public Schools	1,717
Town of Smithtown	Local Government	1,234
Scope Educational Services	Education	1,200
Sunrise Senior Living of Smithtown	Health Care Services	700
MITEQ, Inc.	Electronics	600
Kings Park School District	Public Schools	596
Hawkeye	Energy	585
ADP	Payroll	500

Source: Town Planning Director.

### Unemployment Rate Statistics

Unemployment statistics are available for the Town as set forth below. The information set forth below with respect to the County and the State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the Town is necessarily representative of the County or the State or vice versa.

<u>Annual Averages:</u>	<u>Town of Smithtown (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2015	4.0	4.8	5.3
2016	3.7	4.3	4.8
2017	3.9	4.5	4.7
2018	3.5	4.0	4.2
2019	3.3	3.7	4.4
2020	7.5	8.4	10.0

Source: Department of Labor, State of New York

## INDEBTEDNESS OF THE TOWN

### Constitutional Requirements

The State Constitution limits the power of the Town (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the Town and the Bonds:

**Purpose and Pledge.** The Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the fiscal year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

**General.** The Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Nature of Obligation*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

### Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Town Board, except in the event that the Town determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Town has complied with such requirement with respect to the bond resolutions authorizing the issuance of the Bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, bonds issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such bonds were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

In addition, under each bond resolution, the Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Town Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

**Debt Limit.** The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Town to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See “*Tax Levy Limit Law*,” herein).

**Trend of Town Indebtedness**

The following table represents the outstanding indebtedness of the Town at the end of the last five preceding fiscal years.

	Fiscal Year Ending December 31:				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Outstanding End of Year:					
Subject to Debt Limit:					
Bonds	\$19,096,335	\$20,704,827	\$21,805,630	\$28,173,823	\$32,915,465
Not Subject to Debt Limit:					
Bonds	<u>789,375</u>	<u>721,563</u>	<u>648,750</u>	<u>1,103,438</u>	<u>3,656,625</u>
Total Debt Outstanding	<u>\$19,885,710</u>	<u>\$21,426,390</u>	<u>\$22,454,380</u>	<u>\$29,277,261</u>	<u>\$36,572,090</u>

Source: Town Comptroller’s Office.

*Resource Recovery Facility*

Since 1989, the Towns of Smithtown and Huntington have jointly owned and operated a resource recovery facility to address the concerns of solid waste disposal in both towns. The resource recovery facility (the “Facility”) was originally financed by \$176 million of bonds issued by the Environmental Facilities Corporation of the State; such bonds were subsequently refunded by the Suffolk County Industrial Development Agency (the “Suffolk IDA”) in the amount of \$136 million and matured in October of 2012. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges to run the facility paid for by the Town were \$7,509,500 for 2020, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

**Debt Service Requirements – Outstanding Bonds<sup>a</sup>**

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$3,312,090	\$983,819	\$4,295,909
2022	3,225,000	809,081	4,034,081
2023	3,215,000	727,881	3,942,881
2024	3,050,000	649,831	3,699,831
2025	2,970,000	576,106	3,546,106
2026	2,890,000	502,956	3,392,956
2027	2,870,000	429,793	3,299,793
2028	2,865,000	356,187	3,221,187
2029	2,460,000	281,350	2,741,350
2030	2,150,000	219,788	2,369,788
2031	1,740,000	167,088	1,907,088
2032	1,495,000	123,963	1,618,963
2033	1,275,000	86,450	1,361,450
2034	1,155,000	56,275	1,211,275
2035	720,000	34,500	754,500
2036	245,000	24,050	269,050
2037	250,000	18,300	268,300
2038	260,000	12,375	272,375
2039	265,000	6,275	271,275
2040	<u>160,000</u>	<u>1,600</u>	<u>161,600</u>
Totals	<u>\$36,572,090</u>	<u>\$6,067,664</u>	<u>\$42,639,754</u>

a. Does not reflect payments made to date.

**Debt Service Requirements – Outstanding Leases<sup>a</sup>**

In addition, the Town has entered into various Capital Lease Agreements as shown below:

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$1,200,034	\$224,257	\$1,424,291
2022	983,111	166,629	1,149,740
2023	567,263	116,018	683,281
2024	318,261	43,352	361,614
2025	<u>98,221</u>	<u>19,266</u>	<u>117,487</u>
Totals	<u>\$3,166,890</u>	<u>\$569,523</u>	<u>\$3,736,413</u>

a. Does not reflect payments made to date. Includes leasing of vehicles through Enterprise. See below.

In January 2016, the Town entered into a fleet management master equity lease agreement with Enterprise. Currently, the Town has a fleet of vehicles which were purchased by the Town that have been in service between three and twenty years. The Town's plan is to phase in the leasing of all passenger vehicles and light-duty trucks over the next 5 years and trade-in their current vehicles with an estimated value of approximately \$925,000 while also reducing the fleet to approximately 170 vehicles. This will allow the Town to lease newer vehicles while reducing repair costs. As of December 31, 2020, the Town had 144 vehicles under this lease agreement with monthly lease payment of approximately \$81,000 for a 5-year period with various commencement dates in 2017-2020. At December 31, 2020, the principal amount outstanding was \$2,126,613. The interest rates for these vehicles varies based on the interest rate in effect of the time of acquisition.

**Computation of Debt Limit and Calculation of Net Debt Contracting Margin**  
(As of March 8, 2021)

<u>Fiscal Year Ending December 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>	
2017	\$243,650,851	1.32	\$18,458,397,803	
2018	243,909,652	1.31	18,619,057,405	
2019	245,271,571	1.23	19,940,778,130	
2020	245,723,144	1.16	21,183,029,655	
2021	246,791,251	1.15	<u>21,460,108,783</u>	
Total Five Year Full Valuation			<u>99,661,371,775</u>	
Average Five Year Full Valuation			<u>19,932,274,355</u>	
Debt Limit - 7% of Average Full Valuation				<u>\$1,395,259,205</u>
Inclusions:				
Outstanding Bonds:				
General Purposes			32,079,875	
Water Districts			<u>3,550,125</u>	
Sub-Total			35,630,000	
Bond Anticipation Notes			<u>0</u>	
Total Inclusions			<u>35,630,000</u>	
Exclusions:				
Water Debt (Outstanding Bonds)			3,550,125	
Appropriations			<u>2,317,188</u>	
Total Exclusions			<u>5,867,313</u>	
Total Net Indebtedness Before Issuing the Bonds				<u>\$29,762,687</u>
The Bonds			6,844,670	
Less: BANs Being Redemmed by the Bonds			<u>0</u>	
Net Effect of the Bonds			<u>6,844,670</u>	
Total Net Indebtedness After Issuing the Bonds				\$36,607,357
Net Debt Contracting Margin				<u><u>\$1,358,651,848</u></u>
Percent of Debt Limit Exhausted				2.62%

**Calculation of Estimated Overlapping and Underlying Indebtedness**

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	12/03/2020	6.99	\$128,754,629	\$95,404,802
Villages:				
Head of the Harbor	02/28/2019	100.00	481,000	481,000
Nissequogue	05/31/2019	100.00	520,000	520,000
The Branch	05/31/2019	100.00		
School Districts:				
Commack	12/02/2019	57.83	18,254,040	6,626,216
Hauppauge	09/24/2019	56.66	7,966,396	7,966,396
Kings Park	08/13/2019	100.00	39,750,000	39,750,000
Sachem	08/22/2019	3.91	4,683,203	4,683,203
Smithtown	09/19/2019	100.00	34,705,000	34,705,000
Three Village	12/05/2019	1.16	1,080,830	295,851
Fire Districts:				
Commack	12/31/2019	100.00	0	0
Hauppauge	12/31/2019	100.00	0	0
Kings Park	12/31/2019	100.00	0	0
Nesconset	12/31/2019	100.00	152,208	152,208
St. James	12/31/2019	100.00	0	0
Smithtown	12/31/2019	100.00	0	0
Smithtown Library	12/31/2019	100.00	11,175,000	11,175,000
<b>Totals</b>			<b><u>\$247,522,305</u></b>	<b><u>\$201,759,676</u></b>

Source: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Statements.

**Debt Ratios**  
(As of March 8, 2021)

	<u>Amount<sup>a</sup></u>	<u>Per Capita<sup>b</sup></u>	<u>Percentage Of Full Value (%)<sup>c</sup></u>
Total Direct Debt	\$ 35,630,000	\$ 307	0.17
Net Direct Debt	29,762,687	256	0.14
Total Direct & Applicable Total Overlapping Debt	283,152,305	2,440	1.32
Net Direct & Applicable Net Overlapping Debt	231,522,363	1,995	1.08

a. Exclusive of the Bonds.

b. The current estimated population of the Town is 116,034 (2019 U.S. Census).

c. The full valuation of taxable real property in the Town for 2020-21 is \$21,460,108,783.

## Capital Project Plans

The Town is generally responsible for providing services as required to the citizens on a Town-wide basis. The Town maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and equipment. Such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Town owns, operates, maintains and improves recreation facilities. The Town generally has provided the financing for water supply and distribution facilities and maintains primary responsibility for these functions, through special assessment districts. Other future expenditures may be authorized to be funded from time to time as the Town Board deems necessary.

### Authorized but Unissued Debt

As of the date of this Official Statement, the Town has authorized but unissued debt in the amount of \$16,754,200 for various improvements. A portion of such amount, in the amount of \$6,844,670, will be financed by the issuance of the Bonds. See “*Authorization and Purpose*” herein.

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Original</u> <u>Amount</u>	<u>Amount Issued</u> <u>to Date</u>	<u>Authorized</u> <u>but Unissued</u>
06/04/2013	Road Improvements	\$4,270,000	\$1,890,000	\$2,380,000
06/23/2016	Animal Shelter	862,750	101,500	761,250
06/23/2016	Hardware & Software for Comptroller	152,250	52,250	100,000
06/23/2016	Traffic Signals	208,075	205,000	3,075
07/12/2016	Acquisition of Generator (Water District)	76,125	45,000	31,125
07/12/2016	Moriches Road (St. James Water District)	433,405	375,000	58,405
02/22/2018	St. James Business District Drainage	76,125	-	76,125
02/22/2018	St. James Business District Lighting	25,375	-	25,375
02/22/2018	St. James Business District Roads	304,500	-	304,500
02/22/2018	St. James Business District Sidewalks	1,522,500	-	1,522,500
02/22/2018	St. James Business District Various Improvements	304,500	-	304,500
02/22/2018	Revision of Town Code	304,500	-	304,500
02/22/2018	Master Plan Update	507,500	-	507,500
02/22/2018	Lake Avenue Revitalization	152,250	-	152,250
11/29/2018	Preparation of Updates to Town Code	101,500	-	101,500
11/21/2019	Drainage Improvements on Gedney Avenue	299,425	-	299,425
06/09/2020	Construction of Sewer Main on Lake Avenue	4,500,000	-	4,500,000
01/21/2021	Gedney Avenue Drainage Improvements	299,425	-	299,425
01/21/2021	Highway Heavy Equipment Replacement	812,000	-	812,000
01/21/2021	Acquisition of Machinery and Equipment	395,850	-	395,850
01/21/2021	Kings Park Salt Barn Improvements	456,750	-	456,750
01/21/2021	IT Improvements	635,915	-	635,915
01/21/2021	Purchase of 6 Column Rotary Lifts	77,140	-	77,140
01/21/2021	Bay Constable Office Renovation	203,000	-	203,000
01/21/2021	Park Improvements	1,613,850	-	1,613,850
01/21/2021	Design and Engineering for Buildings at SLCC	50,750	-	50,750
01/21/2021	Purchase of New Bay Constable Boat	177,625	-	177,625
01/21/2021	Acquisition of Senior Center Audio Visual Equipment	50,750	-	50,750
01/21/2021	Replacement of Guardrails Townwide	50,750	-	50,750
01/21/2021	Traffic Signals and Traffic Signs Improvements	341,040	-	341,040
01/21/2021	Solar Array Feasibility Study	55,825	-	55,825
01/21/2021	Long Island Innovation Park Signs	101,500	-	101,500
			Total:	<u>\$16,754,200</u>

## FINANCIAL MATTERS

### Impacts of COVID-19

Similar to other municipalities, the Town was impacted by the effects of the COVID-19 pandemic, but recognized the need to take several precautionary measures to reduce expenditure budgets during the 2020 fiscal year. Non-Property Tax Revenues such as recreational events and building permit fees were negatively impacted due to the nation-wide shut down. However, the Town implemented spending reductions such as limiting overtime, and a restriction on the hiring of new full-time and seasonal employees. In addition, mortgage tax revenues are expected to exceed budget by over \$2,000,000. As a result, the Town does not expect the COVID-19 pandemic to have an adverse effect on the financial condition of the Town.

For the 2021 operating budget, no appropriation of the fund balance was needed in any of the operating funds. The Town will continue to monitor closely the 2021 economic environment and the global COVID-19 pandemic situation, and take the proactive measures as required to ensure the strong financial condition of the Town.

### Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2019, which is attached as Appendix B. The Town also prepares an Annual Financial Report Update Document (AUD) each year. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Equity presented in Appendix A of this Statement are based on the Audited Financial Statements of the Town for the 2014-2018 fiscal years of the Town.

#### *Fund Structure and Accounts*

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town maintains the following major funds: General Fund, Highway, Refuse and Garbage, and Capital Projects Funds. The Town-Wide General Fund is the operating fund of the Town and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to other funds, general operating expenses, and fixed charges. The Community Development Fund is used to account for projects financed by grants from the Department of Housing and Urban Development. The Town does not utilize any funds of a proprietary nature. Fiduciary funds consist of the Trust and Agency Fund.

#### *Basis of Accounting*

The Town maintains its records and reports on the modified accrual basis of accounting for recording transactions in its Governmental Funds. Under this method, (1) revenues are recorded when received in cash except for revenues which are material and susceptible to accrual (measurable and available to finance the year's operations) which are recorded when earned, and (2) expenditures, other than retirement plan contributions, vacation and sick pay and accrued interest on bond anticipation notes and general long-term debt, are recorded at the time liabilities are incurred.

### Investment Policy

Pursuant to the statutes of the State, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided, however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further, that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by deposits in one or more banking institutions (as defined in Section 9-r of New York State Banking Law), a pledge of eligible securities or an eligible, irrevocable letter of credit, as those terms are defined in the law; (2)

obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation in the State of New York, other than those notes issued by the Town; or (6) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

Any investments made by the Town pursuant to law are required to be payable or redeemable at the option of the Town within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the Town's investments, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law. Historically, the Town has not chosen to invest in repurchase agreements.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance. Eligible Securities that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State and its municipalities and school districts and obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, African Development Bank and an eligible irrevocable letter of credit.

### **Revenues**

The Town receives most of its revenues from real property taxes and assessments. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A.

#### *Real Property Taxes*

See "Real Property Taxes", herein.

### **Tax and Revenue Anticipation Notes**

The Town's cash flow has been sufficient to meet its operating needs; accordingly, the Town has not required the issuance of revenue or tax anticipation notes.

### **State Aid**

Based on the audited financial reports of the Town, the Town received approximately 12.20% of its total General Fund operating revenue from State aid in 2019 and budgeted approximately 11.75% for 2020 and 12.22% for 2021. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and has the ability to reduce funding to municipalities and school districts in order to balance its own budget.

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. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. Currently, due to the outbreak of COVID-19, the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of State aid in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "*Impacts of COVID-19*" herein.)

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

On April 25, 2020 the New York State Division of the Budget (the "DOB") announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projected a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. On August 13, 2020, the DOB issued its first quarterly update to the Financial Plan (the "Updated Financial Plan") which noted that the DOB began withholding 20% of most local aid payments in June due to the absence of Federal action. Depending on the size and timing of any new Federal aid, all or a portion of such withheld funds may become permanent reductions. The Updated Financial Plan includes \$8.2 billion in recurring local aid reductions and that, in the absence of unrestricted Federal aid, the DOB will continue to withhold a range of payments through the second quarter of the State's 2021 fiscal year. On October 30, 2020, the DOB issued its midyear update to the Financial Plan (the "Midyear Update") which projects a \$14.9 billion General Fund revenue decline and a 15.3% All Funds tax receipts decline from the State 2020-21 Budget forecast released in February, creating a total loss of nearly \$63 billion through FY 2024 as a direct consequence of the COVID-19 pandemic. In the absence of Federal funding to offset this revenue loss, the Midyear Update shows the State reduced spending through September by \$4.3 billion compared to FY 2020 spending over the same period by freezing hiring, new contracts and pay raises, and temporarily holding back 20% of most payments, including payments to municipalities and school districts.

On October 30, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a \$14.9 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$63 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

As a result, in the absence of Federal assistance, budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, municipalities, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

In addition, the availability of State aid and the timeliness of payment of State aid to municipalities and school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

Should the Town fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies, the Town is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of State aid for each of the fiscal years 2015 through 2019 and the budgeted amount for fiscal years 2020 and 2021. The budget amount for General Fund Revenue includes appropriated fund balance.

<u>Fiscal Year Ended December 31:</u>	<u>Total General Fund Town Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2015	\$43,270,619	\$5,050,259	11.67
2016	45,102,720	5,539,298	12.28
2017	46,444,730	5,866,464	12.63
2018	46,383,022	6,556,086	14.13
2019	47,919,670	5,846,239	12.20
2020 (Budgeted)	48,970,853	5,755,857	11.75
2021 (Budgeted)	50,429,502	6,160,502	12.22

Source: Audited financial statements (2015-2019), and the adopted budgets for 2020 and 2021. The budgeted revenues include appropriation of fund balance.

### **Expenditures**

The major categories of expenditure for the Town are General Government Support, Public Safety, Transportation, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A – Financial Information.

### **Budgetary Procedures**

The Town Supervisor, with the assistance of the Budget Officer prepares a tentative budget each year and submits the tentative budget to the Town Board via the Town Clerk for possible amendments. The Town Board then holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board, no later than November 20 in each year, as its final budget for the coming fiscal year. The budget is not subject to referendum.

### **The State Comptroller’s Fiscal Stress Monitoring System**

The New York State Comptroller has reported that New York State’s municipalities and school districts are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district’s ST-3 report filed with the State Education Department annually, and each municipality’s annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “significant fiscal stress”, in “moderate fiscal stress,” as “susceptible to fiscal stress” or “no designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as “No Designation”. (Fiscal Score: 0.0%, Environmental Score: 23.3%).

See the State Comptroller’s official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on September 20, 2019. The purpose of the audit was to determine whether town assessors in Suffolk County are properly administering select real property tax exemptions for the period December 1, 2017 – November 30, 2018. Audited were the administration of Alternative Veterans, Persons 65 Years of Age or Older (Senior Citizens) and Volunteer Firefighters and Ambulance Workers (Firefighters) exemptions in the Towns of Babylon, Brookhaven, Huntington, Islip and Smithtown.

The complete report may be found on the State Comptroller’s official website. Reference to this website implies no warranty of accuracy of information therein.

### **Pension System**

Substantially all employees of the Town are members of the New York State and Local Employees’ Retirement System (the “Retirement System” or “ERS”). The Retirement System are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the “Retirement System Law”). The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for employees hired on or after April 1, 2012. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for new ERS employees hired on or after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines in the past, in certain years the State’s Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State’s Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years. The Town has decided not to amortize any payments to the Retirement System.

### **Contributions to the Retirement Systems**

Fiscal Year Ending <u>December 31:</u>	<u>Amount</u>
2016	\$4,789,037
2017	4,844,570
2018	4,774,422
2019	4,761,401
2020	5,064,768
2021 (Budgeted)	5,531,105

### **Other Post Employment Benefits**

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Town, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 75 (“GASB 75”) described below requires such accounting.

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended December 31, 2018, the Town adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending December 31, 2019:</u>
Total OPEB liability as of December 31, 2018:	\$248,737,246
Changes for the year:	
Service Cost	6,923,951
Interest	10,054,790
Change in Actuarial Cost Method	
Differences between actual and expected experience	
Changes in Assumptions and Other Inputs	
Benefit payments	<u>(6,996,952)</u>
Total Changes	<u>\$9,981,789</u>
Total OPEB liability as of December 31, 2019:	<u><u>\$258,719,035</u></u>

Source: Actuarial Valuation Report (GASB 75).

The OSC has proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The Town cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Town has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both.

## REAL PROPERTY TAX INFORMATION

### Real Property Taxes

The Town derives a significant portion of its annual revenue from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B, herein.) Property taxes accounted for approximately 52.76% of total budgeted General Fund revenues, for the fiscal year ended 2019. On June 24, 2011, the Tax Levy Limitation Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. (See “*Tax Levy Limit Law*” herein).

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019, and, as budgeted, for the years ending December 31, 2020 and December 31, 2021.

Fiscal Year Ended <u>December 31:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2015	\$43,270,619	\$23,447,215	54.19
2016	45,102,720	24,800,902	54.99
2017	46,444,730	24,600,992	52.97
2018	46,383,022	24,366,593	52.53
2019	47,919,670	25,280,351	52.76
2020 (Budgeted)	48,970,853	26,979,833	55.09
2021 (Budgeted)	50,437,502	28,109,968	55.73

Source: Audited financial statements (2015-2019), and the adopted budgets for 2020 and 2021. The budgeted revenues include appropriation of fund balance.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The following table presents the total tax levy, by purpose, with adjustments and collection performance for each of the last five fiscal years.

### Tax Levy and Collection Record<sup>a</sup>

	Fiscal Year Ending December 31:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Town and Highway	52,846,593	52,692,084	54,399,756	56,097,549	56,848,611
Special Districts:					
Library	14,010,858	14,291,075	14,633,688	15,028,128	15,178,409
Lighting	1,597,641	1,752,150	1,607,150	1,817,683	1,877,859
Refuse Disposal Direct					
Benefit Assessments	13,357,509	13,361,581	15,694,618	16,521,389	18,447,264
Fire	17,189,252	17,854,919	18,557,949	19,134,612	19,355,161
Water <sup>b</sup>	435,899	455,777	405,265	465,701	642,679
Ambulance	1,011,223	1,011,223	1,011,223	1,011,223	1,021,545
County	74,066,180	73,522,097	75,475,056	81,718,998	75,497,480
School Districts	349,862,470	355,601,080	370,584,092	386,800,635	395,202,957
Special & Omitted Assessments	48,437	105,746	189,997	138,570	1,929
Out of Town Tuition	1,002,900	938,882	1,454,678	1,246,916	1,278,110
<b>Total Tax Levy</b>	<b><u>525,428,962</u></b>	<b><u>531,586,614</u></b>	<b><u>554,013,472</u></b>	<b><u>579,981,404</u></b>	<b><u>585,352,004</u></b>
Amount Collected	512,103,137	517,909,142	536,043,551	547,593,702	300,627,963
Uncollected Amount	13,325,825	13,677,472	17,969,921	32,387,702	284,724,041
Percentage	2.54%	2.57%	3.24%	5.58%	48.64%

a. See "Tax Collection Procedure" herein.

b. Includes Water Arrears.

c. As of February 18, 2021.

Source: Receiver of Taxes of the Town.

### Tax Collection Procedure

The Town collects taxes in two installments. The first half is due December 1<sup>st</sup> of the preceding fiscal year and payable until January 10<sup>th</sup> without penalty. The second half tax payment can also be made at this time, or anytime prior to May 31. Second half taxes are due May 10<sup>th</sup> each year and are payable to May 31<sup>st</sup>, without penalty. After January 10<sup>th</sup>, 1% per month is added to first half taxes. After May 31<sup>st</sup>, when the rolls are turned over to the County, all taxes are payable to the County Treasurer with an additional penalty to the date of payment. Tax sales are held annually by the County.

Under the Suffolk County Tax Act, there are no uncollected items at the close of the fiscal year to the Town. The Receiver of Taxes of the Town (the "Town Receiver") collects the County tax as well as the General Town, Town Highway, School and Special District levies. Before the tax rolls are returned to the County at the end of the tax period, (May 31<sup>st</sup>), the Town Receiver pays in full to the Town, the General Town, Town Highway, School and Special District levies. Any uncollected items are deducted from the amount returned to the County and the County assumes the responsibility for obtaining payment.

As a result of the COVID-19 pandemic, in certain counties in the State, during the first half of the 2020 fiscal year, the deadline to pay property taxes, without interest or penalty, was extended in certain circumstances. No assurance can be given that similar extensions with respect to the deadlines to pay property taxes, without interest or penalty, may occur during the 2021 fiscal year. Any such extensions may result in a delay in the receipt of taxes collected.

## Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011 (the “Tax Levy Limit Law”) on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest there without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after January 1, 2012, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations, according to the formulas set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of the Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limit Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the “Allowable Levy Growth Factor”, which is the lesser of one and two one-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Tax Levy Limit Law also provides for adjustments to be made to the Town’s tax levy based upon changes in the assessed value of the taxable real property in the Town. Additionally, the Town will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision described above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for tort judgments payable by the Town. The governing board of the Town may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Town first enacts, by a vote of at least sixty percent of the total voting power of the Town Board, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Town or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

The 2015 through 2021 Budgets did not exceed the tax levy limitation.

### Tax Rates Tax Rates per \$1,000 of Assessed Valuation

	Fiscal Year Ending December 31:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Tax Levy:					
General Town	\$100.46	\$99.33	\$102.44	\$109.38	\$113.47
Highway	23.95	23.58	22.45	22.61	21.80
Town Outside Villages:					
General	23.11	23.07	22.74	22.22	22.68
Highway	75.71	76.27	80.49	80.84	79.02
County-General and District					
Court	18.38	17.95	18.14	17.66	19.55
County-Police	266.59	275.21	287.20	291.66	285.43
Library Special District	55.82	56.96	58.07	59.64	60.20

**Selected Listing of Large Taxable Properties**  
2020 Assessment Roll<sup>a</sup>

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYS-OPRHP	Parkland	\$ 4,924,973
Smithtown Galleria Association	Apartments	1,752,553
LIPA	Utility	1,636,262
Commack Marketing	Retail Service	1,328,628
Arlona LTD Partnership	Shopping Center	1,323,458
State of New York <sup>b</sup>	Parkland	1,233,555
Commack Shopping Center	Shopping Center	1,228,209
LIPA	Utility	1,141,224
Mall at Smith Haven, LLC.	Shopping Center	1,130,394
State of New York <sup>b</sup>	Parkland	1,064,380
LIPA	Utility	994,010
LIPA	Utility	974,922
PJ Venture F. G. LLC.	Large Retail Outlets	922,234
Teacher's Federal Credit Union	Banking	891,826
LIPA	Utility	838,127
State of New York <sup>b</sup>	Parkland	834,188
Groton Owners, LLC	Apartments	795,684
Long Island Lighting Co.	Utility	773,801
Target Corporation	Retail Service	736,507
UA Properties LLC	Real Estate	714,838
	Total <sup>c</sup>	<u><u>\$25,239,773</u></u>

- a. Assessment Roll established in 2020 for levy and collection of taxes during 2021 Fiscal Year.  
b. New York State Parkland is taxable for school purposes only.  
c. Represents approximately 10.23% of the total taxable assessed valuation of the Town for 2021.

**Tax Certiorari Claims**

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Town taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. (See “*Tax Collection Procedure*” and “*LITIGATION*” herein.)

**LITIGATION**

In common with other towns, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the Town Attorney for the Town, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have an adverse material effect on the financial condition of the Town, in view of the Town’s ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

## **CYBERSECURITY**

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

### **Certain Ongoing Federal Tax Requirements and Certifications**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

## **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix C.

### **DISCLOSURE UNDERTAKING**

At the time of the delivery of the Bonds, the Town will provide an executed copy of its Undertaking to Provide Continuing Disclosure, substantially as set forth in Appendix D.

### **BOND RATING**

The Town has applied to Moody's for a rating on the Bonds and such rating is pending at this time. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's, 7 WTC at 250 Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Town's bonds or the availability of a secondary market for such bonds.

### **MUNICIPAL ADVISOR**

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Donald P. Musgnug, CPA, Town Comptroller, Town of Smithtown, Town Hall Annex 40 Maple Avenue, Smithtown, NY 11787, telephone number (631) 360-7530 and email: [dmusgnug@tosgov.com](mailto:dmusgnug@tosgov.com) or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888.

Munistat Services, Inc. may place a copy of this Official Statement on its website at [www.munistat.com](http://www.munistat.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Town disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Town also assumes no liability or responsibility for any errors or omissions, unauthorized editing, or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Town and the original purchasers or owners of any of the Bonds.

The preparation and distribution of this Official Statement has been authorized by the applicable bond resolutions of the Town which delegate to the Supervisor the power to sell and issue the Bonds.

TOWN OF SMITHTOWN, NEW YORK

By: s/s EDWARD R. WEHRHEIM  
Town Supervisor and Chief Fiscal Officer  
Town of Smithtown  
Smithtown, New York

March , 2021

**APPENDIX A**

**FINANCIAL INFORMATION**

**Balance Sheets**  
**Governmental Funds**  
**Fiscal Year Ending December 31, 2019**

	<u>General Townwide</u>	<u>Major Highway</u>	<u>Refuse and Garbage</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds(1)</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 13,539,176	\$ 5,418,557	\$ 4,299,596	\$ 14,996,889	\$ 8,129,851
Restricted Cash	4,471,078				313,552
Accounts Receivable	1,622,345	13,735	9,563	10,555	781,437
Prepaid Expense	1,186,212	668,054	148,776		325,949
Inventory		745,872			
Due from Other Governments	2,371,746	13,073	67,508	366,468	116,484
Due from Other Funds	<u>1,063,604</u>	<u>227,106</u>	<u>4,688</u>	<u>648,562</u>	<u>114,810</u>
<b>Total Assets</b>	<u>\$ 24,254,161</u>	<u>\$ 7,086,397</u>	<u>\$ 4,530,131</u>	<u>\$ 16,022,474</u>	<u>\$ 9,782,083</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 2,516,831	\$ 757,169	\$ 1,841,369	\$ 3,489,681	\$ 1,081,842
Security Deposit	4,935				
Due to Other Funds	91	108,963		1,028,594	65,119
Unearned Revenues	<u>32,249</u>	<u>635,897</u>			<u>29,150</u>
<b>Total Liabilities</b>	<u>\$ 2,554,106</u>	<u>\$ 1,502,029</u>	<u>\$ 1,841,369</u>	<u>\$ 4,518,275</u>	<u>\$ 1,176,111</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue	<u>\$ 42,250</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 37,815</u>	<u>\$ _____</u>
<b>Total Deferred Inflows of Resources</b>	<u>42,250</u>	<u>_____</u>	<u>_____</u>	<u>37,815</u>	<u>_____</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ 1,186,212	\$ 1,413,926	\$ 148,776	\$ _____	\$ 632,293
Restricted	4,540,316	193,213		7,842,766	2,584,475
Assigned	404,037	3,977,229	2,539,986	3,623,618	5,389,204
Unassigned	<u>15,527,240</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>Total Fund Balances (Deficits)</b>	<u>\$ 21,657,805</u>	<u>\$ 5,584,368</u>	<u>\$ 2,688,762</u>	<u>\$ 11,466,384</u>	<u>\$ 8,605,972</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances (Deficits)</b>	<u>\$ 24,254,161</u>	<u>\$ 7,086,397</u>	<u>\$ 4,530,131</u>	<u>\$ 16,022,474</u>	<u>\$ 9,782,083</u>

(1) Includes General Town Outside Village, Special Grant, Lighting, Self Insurance, and Miscellaneous Funds

Source: Audited Financial Statements of the Town (2019)

NOTE: This schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund-Townwide**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 23,447,215	\$ 24,800,902	\$ 24,600,992	\$ 24,366,593	\$ 25,280,351
Real Property Tax Items	472,556	495,601	577,617	701,054	663,488
Non Property Tax Items	2,590,482	2,778,370	2,851,546	2,820,596	2,804,631
Departmental Income	9,939,096	9,730,224	10,347,064	9,909,733	10,654,366
Intergovernmental Charges	528,972	568,260	615,942	541,800	628,036
Use of Money & Property	219,914	372,118	324,956	514,286	819,471
Licenses and Permits	109,890	137,198	128,118	151,773	130,214
Fines and Forfeitures	191,892	201,448	285,042	230,052	445,252
Sale of Property & Compensation for Loss	323,527	4,867	221,036	213,469	163,279
Miscellaneous Local Sources	54,494	68,046	172,374	45,858	44,816
Interfund Revenues				1,349	54,127
State Aid	5,050,259	5,539,298	5,866,464	6,556,086	5,846,239
Federal Aid	342,322	406,388	453,579	330,373	385,400
<b>Total Revenues</b>	<u>43,270,619</u>	<u>45,102,720</u>	<u>46,444,730</u>	<u>46,383,022</u>	<u>47,919,670</u>
<b>Expenditures:</b>					
General Government Support	11,594,062	12,163,490	12,674,802	13,336,507	13,830,243
Public Safety	3,053,934	3,301,100	3,604,520	3,355,491	3,498,045
Health	908,314	894,913	869,792	878,136	933,500
Transportation	881,957	863,191	965,030	1,076,611	1,145,073
Econ. Assistance & Opportunity	640	640	640	110	220
Culture & Recreation	6,439,618	6,700,575	6,762,535	7,364,438	7,648,464
Home & Community Service	5,352,475	5,251,165	5,102,645	5,176,210	5,442,442
Employee Benefits	10,463,672	11,027,812	11,387,999	11,853,724	12,516,081
Debt Service	2,350,389	1,849,055	1,962,171	1,907,145	2,349,769
<b>Total Expenditures</b>	<u>41,045,061</u>	<u>42,051,941</u>	<u>43,330,134</u>	<u>44,948,372</u>	<u>47,363,837</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,225,558</u>	<u>3,050,779</u>	<u>3,114,596</u>	<u>1,434,650</u>	<u>555,833</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In	246,965	135,484	308,357	74,159	69,316
Operating Transfers Out	(994,000)	(913,000)	(2,368,297)	(442,378)	(868,947)
Premium on Debt Issuance	27,571	40,034	13,312	50,650	277,862
<b>Total Other Sources (Uses)</b>	<u>(719,464)</u>	<u>(737,482)</u>	<u>(2,046,628)</u>	<u>(317,569)</u>	<u>(521,769)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,506,094	2,313,297	1,067,968	1,117,081	34,064
Fund Balance Beginning of Year	<u>15,619,301</u>	<u>17,125,395</u>	<u>19,438,692</u>	<u>20,506,660</u>	<u>21,623,741</u>
Fund Balance End of Year	<u>\$ 17,125,395</u>	<u>\$ 19,438,692</u>	<u>\$ 20,506,660</u>	<u>\$ 21,623,741</u>	<u>\$ 21,657,805</u>

Sources: Audited Financial Statements (2015-2019)  
NOTE: This schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Highway Funds**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 23,139,456	\$ 22,717,211	\$ 23,010,345	\$ 23,090,235	\$ 23,923,575
Real Property Tax Items	285,088	286,977	346,294	365,621	365,039
Departmental Income					
Intergovernmental Charges	25,432	9,916	13,951	108,303	35,220
Use of Money & Property	13,540	23,894	48,205	128,395	219,268
Licenses and Permits	60,975	54,400	83,825	114,491	192,733
Sale of Property & Compensation for Loss	6,384	47,943	10,027	152,557	185,125
Miscellaneous Local Sources	440	8,872			553
Interfund Revenue	1,296,679	1,220,861	1,202,235	1,558,754	2,082,297
Federal Aid	2,672				
State Aid	2,013,469	1,342,085	1,417,603	1,483,270	1,170,532
<b>Total Revenues</b>	<u>26,844,135</u>	<u>25,712,159</u>	<u>26,132,485</u>	<u>27,001,626</u>	<u>28,174,342</u>
<b>Expenditures:</b>					
Transportation	14,564,158	13,552,403	14,717,346	15,961,910	14,610,299
Employee Benefits	6,789,001	6,936,792	6,899,455	7,475,802	7,857,589
Debt Service	773,143	918,143	940,247	1,059,536	868,805
<b>Total Expenditures</b>	<u>22,126,302</u>	<u>21,407,338</u>	<u>22,557,048</u>	<u>24,497,248</u>	<u>23,336,693</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>4,717,833</u>	<u>4,304,821</u>	<u>3,575,437</u>	<u>2,504,378</u>	<u>4,837,649</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In		16,800	1,083,451	1,665,694	476,965
Operating Transfers Out	(5,150,000)	(4,395,000)	(6,395,000)	(4,599,502)	(4,395,000)
Premium on Debt Issuance	7,382	25,794	9,109	10,852	87,189
<b>Assigned: Total Other Sources (Uses)</b>	<u>(5,142,618)</u>	<u>(4,352,406)</u>	<u>(5,302,440)</u>	<u>(2,922,956)</u>	<u>(3,830,846)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(424,785)</u>	<u>(47,585)</u>	<u>(1,727,003)</u>	<u>(418,578)</u>	<u>1,006,803</u>
<b>Fund Balance Beginning of Year</b>	<u>7,195,516</u>	<u>6,770,731</u>	<u>6,723,146</u>	<u>4,996,143</u>	<u>4,577,565</u>
<b>Fund Balance End of Year</b>	<u>\$ 6,770,731</u>	<u>\$ 6,723,146</u>	<u>\$ 4,996,143</u>	<u>\$ 4,577,565</u>	<u>\$ 5,584,368</u>

Sources: Audited Financial Statements (2015-2019)

NOTE: This schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Refuse & Garbage Fund**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Departmental Income	\$ 11,810,419	\$ 12,188,221	\$ 12,775,542	\$ 12,775,553	\$ 15,019,498
Intergovernmental Charges	449,653	460,488	480,008	691,928	1,091,240
Use of Money & Property	23,547	20,541	32,392	77,457	119,973
Fines and Forfeitures				61,667	38,333
Sale of Properties and Comp. for Loss	233,412	187,835	224,917	223,207	484,105
Interfund Revenues	8,572	694	621	13,999	3,943
Miscellaneous		4,278			
State Aid	15,984	15,694	102,850	56,887	90,572
<b>Total Revenues</b>	<u>12,541,587</u>	<u>12,877,751</u>	<u>13,616,330</u>	<u>13,900,698</u>	<u>16,847,664</u>
<b>Expenditures:</b>					
Home & Community Service	12,013,723	11,988,819	11,923,704	14,584,484	15,028,183
Employee Benefits	1,160,934	1,277,182	1,320,949	1,684,388	1,808,655
Debt Service	73,936	176,203	176,711	260,332	270,403
<b>Total Expenditures</b>	<u>13,248,593</u>	<u>13,442,204</u>	<u>13,421,364</u>	<u>16,529,204</u>	<u>17,107,241</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(707,006)</u>	<u>(564,453)</u>	<u>194,966</u>	<u>(2,628,506)</u>	<u>(259,577)</u>
<b>Other Financing Uses:</b>					
Operating Transfers (Out) In	128,820	22,839	15,632	493,269	29,929
Premium on Debt Issuance	330	749	6,388	2,963	34,876
<b>Total Other Financing Sources (Uses)</b>	<u>129,150</u>	<u>23,588</u>	<u>22,020</u>	<u>496,232</u>	<u>64,805</u>
<b>Excess (Deficiency) of Revenues over Expenditures Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(577,856)</u>	<u>(540,865)</u>	<u>216,986</u>	<u>(2,132,274)</u>	<u>(194,772)</u>
<b>Fund Balance Beginning of Year</b>	<u>5,917,543</u>	<u>5,339,687</u>	<u>4,798,822</u>	<u>5,015,808</u>	<u>2,883,534</u>
<b>Fund Balance End of Year</b>	<u>\$ 5,339,687</u>	<u>\$ 4,798,822</u>	<u>\$ 5,015,808</u>	<u>\$ 2,883,534</u>	<u>\$ 2,688,762</u>

Sources: Audited Financial Statements (2015-2019)

NOTE: This schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Fund**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Use of Money & Property	\$ 16	\$	\$	\$	\$
Miscellaneous Local Sources	423,314	49,963	109,056	238,720	696,671
State Aid	456,346		558,235	507,794	186,920
Federal Aid	91,641	81,905	288,257		453,181
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	971,317	131,868	955,548	746,514	1,336,772
Expenditures:					
Capital Outlay	9,136,987	10,078,971	11,999,435	11,122,333	14,564,427
Debt Service	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	9,136,987	10,078,971	11,999,435	11,122,333	14,564,427
Excess (Deficiency) of Revenues over Expenditures					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(8,165,670)	(9,947,103)	(11,043,887)	(10,375,819)	(13,227,655)
Other Sources (Uses)					
Operating Transfers In	6,215,140	5,295,000	8,033,704	5,178,764	5,594,536
Operating Transfers Out	(405,945)	(431,700)	(635,773)	(2,274,642)	(137,909)
Debt Proceeds	5,770,710	5,365,000	4,086,390	3,544,380	9,192,260
Capital Lease Proceeds	1,705,000	<hr/>	1,911,747	1,304,141	1,334,199
Assigned:					
Total Other Sources (Uses)	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	13,284,905	10,228,300	13,396,068	7,752,643	15,983,086
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5,119,235	281,197	2,352,181	(2,623,176)	2,755,431
Fund Balance Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,581,516	8,700,751	8,981,948	11,334,129	8,710,953
Fund Balance End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 8,700,751	\$ 8,981,948	\$ 11,334,129	\$ 8,710,953	\$ 11,466,384

Sources: Audited Financial Statements (2015-2019)

NOTE: This schedule NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Funds**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 8,461,623	\$ 7,979,886	\$ 7,886,662	\$ 8,041,171	\$ 7,830,203
Real Property Tax Items	144,118	146,269	170,276	184,835	170,449
Departmental Income	5,179,292	5,418,354	6,482,934	6,023,528	6,544,197
Intergovernmental Charges	31,930	29,505	64,210	135,695	50,509
Use of Money & Property	24,515	28,243	39,360	119,802	201,343
Licenses and Permits	1,731,698	1,779,697	1,675,056	1,920,518	2,088,955
Sale of Property & Compensation for Loss	659,434	203,694	238,414	185,067	40,444
Miscellaneous Local Sources	650,539	807,206	757,477	779,997	1,106,118
Interfund Revenues	18,650	73,341	6,783	7,165	10,325
State Aid	319,128	328,780	297,422	306,676	320,524
Federal Aid	1,370,704	1,683,314	952,243	118,240	198,180
<b>Total Revenues</b>	<u>18,591,631</u>	<u>18,478,289</u>	<u>18,570,837</u>	<u>17,822,694</u>	<u>18,561,247</u>
<b>Expenditures:</b>					
General Government Support	594,429	139,740	304,554	197,185	270,706
Public Safety	3,276,641	3,141,423	3,152,081	3,274,467	3,240,498
Transportation	1,361,674	1,104,928	1,999,559	1,053,506	1,090,593
Health	1,380,183	1,123,300	1,051,540	2,075,709	2,067,876
Culture and Recreation	396,083	381,650	413,448	428,667	429,390
Home & Community Service	6,787,622	7,087,936	6,163,083	5,350,762	5,620,226
Employee Benefits	4,777,372	4,465,740	5,145,746	4,785,329	3,838,491
Debt Service	300,014	350,462	624,216	631,030	648,346
<b>Total Expenditures</b>	<u>18,874,018</u>	<u>17,795,179</u>	<u>18,854,227</u>	<u>17,796,655</u>	<u>17,206,126</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(282,387)</u>	<u>683,110</u>	<u>(283,390)</u>	<u>26,039</u>	<u>1,355,121</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In	41,160	269,577	57,926	139,899	11,699
Operating Transfers Out	(82,140)		(100,000)	(235,263)	(780,589)
Premium on Debt Issuance	51,665	12,624	1,626	4,437	38,750
<b>Total Other Sources (Uses)</b>	<u>10,685</u>	<u>282,201</u>	<u>(40,448)</u>	<u>(90,927)</u>	<u>(730,140)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(271,702)</u>	<u>965,311</u>	<u>(323,838)</u>	<u>(64,888)</u>	<u>624,981</u>
<b>Fund Balance Beginning of Year</b>	<u>7,676,108</u>	<u>7,404,406</u>	<u>8,369,717</u>	<u>8,045,879</u>	<u>7,980,991</u>
<b>Fund Balance End of Year</b>	<u>\$ 7,404,406</u>	<u>\$ 8,369,717</u>	<u>\$ 8,045,879</u>	<u>\$ 7,980,991</u>	<u>\$ 8,605,972</u>

Includes General Town Outside Village, Community Development, Risk Retention, Lighting and Ambulance  
Beginning in Fiscal Year Ending December 31, 2012, the Nonmajor Governmental Funds also  
include the Water Districts, the Paul J. Fitzpatrick Country Club, and the Permanent Fund.

Sources: Audited Financial Statements (2015-2019)

NOTE: This schedule NOT audited

**2020 ADOPTED BUDGET - FUND SUMMARIES**

		Less:		Less:	Less:	
	<u>Appropriation</u>	<u>Estimated</u>	<u>Less:</u>	<u>Appropriated</u>	<u>Application</u>	<u>Amount</u>
		<u>Revenue</u>	<u>State Aid</u>	<u>Fund Balance</u>	<u>of Reserves</u>	<u>of</u>
						<u>Tax Levy</u>
General Fund - Town Wide	\$ 48,970,853	\$ 16,176,962	\$ 5,755,857	\$	\$ 58,201	\$ 26,979,833
General Fund - Part Town	8,198,514	2,889,239	233,865			5,075,410
Highway Fund I - Repairs & Impvts	22,244,573	2,591,613	1,190,000			18,462,960
Highway Fund III - Machinery	4,908,667	413,809	145,000		168,512	4,181,346
Highway Fund IV - Snow & Misc	1,406,000	8,000				1,398,000
Commack Ambulance District	1,723,510	1,035,348				688,162
Hauppauge Ambulance District	390,032	66,971				323,061
Street Lighting District	1,139,406	24,396			6,572	1,108,438
Arterial Highway District	722,806	13,561				709,245
Sol Waste/Res Coll/ Disp Impvt	16,672,972	16,510,425	24,000		138,547	
Paul J. Fitzpatrick Country Club	497,259	497,259				
Smithtown Water District	3,050,260	3,043,885			6,375	
St. James Water District	2,097,947	2,029,151				68,796
1987 Water Supply District	10,500	0				10,500
1989 Water Supply District	5,500	0				5,500
Community Development Fund	297,725	297,725				
	<u>\$ 112,336,524</u>	<u>\$ 45,598,344</u>	<u>\$ 7,348,722</u>	<u>\$ 0</u>	<u>\$ 378,207</u>	<u>\$ 59,011,251</u>

Source: 2020 Adopted Budget of the Town

**2021 ADOPTED BUDGET - FUND SUMMARIES**

	<u>Appropriation</u>	Less: <u>Estimated Revenue</u>	Less: <u>State Aid</u>	Less: <u>Appropriated Fund Balance</u>	Less: <u>Application of Reserves</u>	Amount of <u>Tax Levy</u>
General Fund - Town Wide	\$ 50,437,502	\$ 16,119,336	\$ 6,160,502	\$	\$ 47,696	\$ 28,109,968
General Fund - Part Town	8,211,352	2,779,145	228,176			5,204,031
Highway Fund I - Repairs & Impvts	21,953,596	2,630,236	1,190,000			18,133,360
Highway Fund III - Machinery	4,763,356	326,494	147,116		24,702	4,265,044
Highway Fund IV - Snow & Misc	1,144,208	8,000				1,136,208
Commack Ambulance District	1,749,257	1,050,773				698,484
Hauppauge Ambulance District	390,032	66,971				323,061
Street Lighting District	1,163,071	24,396				1,138,675
Arterial Highway District	752,729	13,545				739,184
Sol Waste/Res Coll/ Disp Impvt	18,507,739	18,394,852	24,000		88,887	
Paul J. Fitzpatrick Country Club	432,259	432,259				
Smithtown Water District	3,582,893	3,582,893				
St. James Water District	2,166,599	1,940,125				226,474
1987 Water Supply District	10,500	0				10,500
1989 Water Supply District	5,500	0				5,500
Community Development Fund	297,725	297,725				
	<u>\$ 115,568,318</u>	<u>\$ 47,666,750</u>	<u>\$ 7,749,794</u>	<u>\$ 0</u>	<u>\$ 161,285</u>	<u>\$ 59,990,489</u>

Source: 2021 Adopted Budget of the Town

**TOWN OF SMITHTOWN**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT.

# TOWN OF SMITHTOWN, NEW YORK

## CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION (UNAUDITED)</b>	
Principal Officials .....	i
<b>FINANCIAL SECTION</b>	
INDEPENDENT AUDITOR'S REPORT .....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4-16
<b>FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position.....	17
Statement of Activities .....	18
Fund Financial Statements:	
Balance Sheet - Governmental funds.....	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental funds .....	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances- Governmental Funds to the Statement of Activities.....	22
Statement of Fiduciary Net Position Funds - Fiduciary Funds .....	23
Notes to Financial Statements.....	24-57
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Highway Fund, Refuse and Garbage Fund (Unaudited) .....	58-60
Schedule of Changes in Total OPEB Liability & Related Ratios (Unaudited).....	61
Schedule of Proportionate Share of Net Pension Liability (Unaudited).....	62
Schedule of Contributions – Pension Plans (Unaudited).....	63

**C O N T E N T S (Continued)**

**SUPPLEMENTARY INFORMATION**

Combining Fund Statements - Nonmajor Governmental Funds:

Combining Balance Sheet..... 64

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 65

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*  
*AUDITING STANDARDS* ..... 66-67

## **INTRODUCTORY SECTION**

**TOWN OF SMITHTOWN  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2019**

**ELECTED OFFICIALS**

**TOWN BOARD:**

Supervisor  
Councilman / Deputy Supervisor  
Councilman  
Councilwoman  
Councilwoman

Edward R. Wehrheim  
Thomas J. McCarthy  
Thomas W. Lohmann  
Lisa M. Inzerillo  
Lynne C. Nowick

**TOWN CLERK**

Vincent Puleo

**RECEIVER OF TAXES**

Deanna Varricchio

**SUPERINTENDENT OF HIGHWAYS**

Robert Murphy

**APPOINTED OFFICIALS**

Town Assessor  
Town Attorney  
Town Comptroller  
Town Engineer

Peter D. Johnson  
Matthew Jakubowski  
Donald P. Musgnug  
Mark Riley

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

July 30, 2020

To the Honorable Supervisor and Town Board of the  
Town of Smithtown, New York:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown (the Town), New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

488 Madison Ave., 23rd Floor  
New York, NY 10022  
p (212) 600-2854

[www.bonadio.com](http://www.bonadio.com)

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of December 31, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020, on our consideration of the Town'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 solely 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 effectiveness of the Town's 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's internal control over financial reporting and compliance.

# TOWN OF SMITHTOWN, NEW YORK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019

---

### INTRODUCTION

As management of the Town of Smithtown, New York (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the Town's financial performance.

### USING THIS ANNUAL REPORT

This annual report consists of a set of financial statements and notes. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

### FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year ended 2019 are as follows:

#### ***Government-Wide Financial Statements***

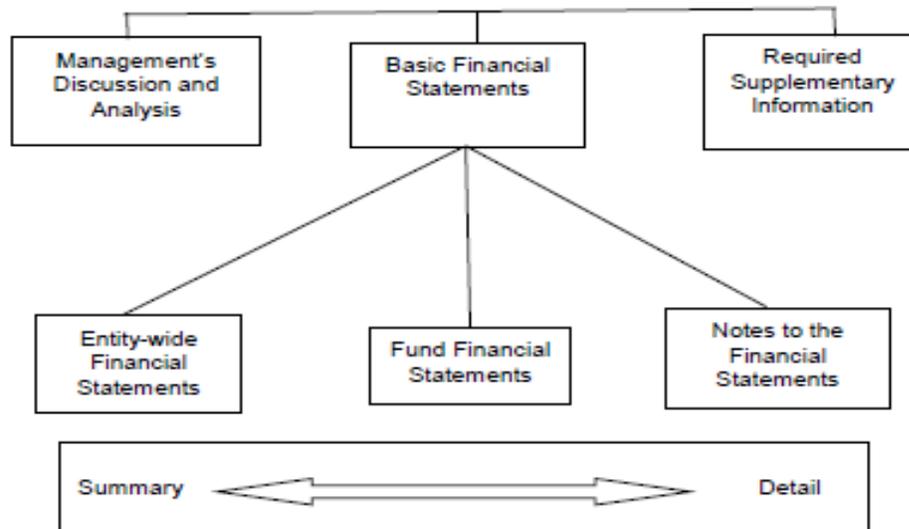
- The assets and deferred outflows of resources of the Town were below its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,055,266 primarily due to recording the projected full cost of Other Post employee Benefits (OPEB) – healthcare costs.

#### ***Fund Financial Statements***

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$50,003,291 representing an increase in fund balance of \$4,226,507 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,527,240, which is 32.8% of total General Fund expenditures for 2019; an increase from the previous year of \$783,148.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



## 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 *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. 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 fiscal periods (for example, earned but unused vacation leave, and other postemployment benefit obligations ("OPEB")).

The government-wide financial statements distinguish functions of the Town that are *governmental activities* (those principally supported by taxes and intergovernmental revenues). The governmental activities of the Town include general governmental support, public safety, health, transportation, economic opportunity and development, culture and recreation, home and community services, and interest.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

## FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local 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 two categories: governmental funds and fiduciary funds.

### 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Highway Fund, Refuse and Garbage Fund, and Capital Projects Fund, which are considered to be major funds.

### Fiduciary Funds

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Town programs. The Town maintains only one type of fiduciary fund that is known as an Agency Fund. The Town holds resources in this fund purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government.

The fiduciary fund financial statements can be found in the basic financial statements section of this report.

## NOTES TO 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 financial statements are located following the basic financial statements section of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

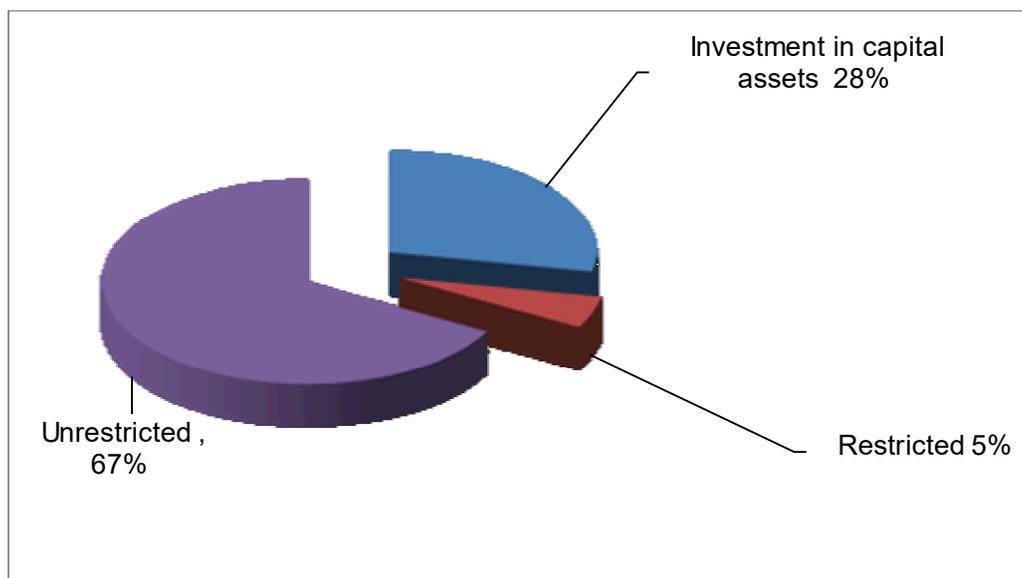
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources were below liabilities and deferred inflows of resources by \$115,055,266 at the close of 2019.

### NET POSITION:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Assets:				
Current assets	\$ 61,227,479	\$ 55,422,254	\$ 5,805,225	10.5%
Capital assets, net	130,767,188	127,012,151	3,755,037	3.0%
Other non-current assets	<u>868,000</u>	<u>1,144,000</u>	<u>(276,000)</u>	-24.1%
Total assets	<u>192,862,667</u>	<u>183,578,405</u>	<u>9,284,262</u>	5.1%
Deferred outflows of resources	<u>30,684,102</u>	<u>37,092,539</u>	<u>(6,408,437)</u>	-17.3%
Total assets and deferred outflows	<u>223,546,769</u>	<u>220,670,944</u>	<u>2,875,825</u>	1.3%
Liabilities:				
Current liabilities	16,070,215	13,764,533	2,305,682	16.8%
Non-current liabilities	<u>318,638,042</u>	<u>298,743,021</u>	<u>19,895,021</u>	6.7%
Total liabilities	<u>334,708,257</u>	<u>312,507,554</u>	<u>22,200,703</u>	7.1%
Deferred inflows of resources	<u>3,893,778</u>	<u>8,468,024</u>	<u>(4,574,246)</u>	-54.0%
Net position				
Investment in capital assets	94,715,248	105,525,039	(10,809,791)	-10.2%
Restricted	17,700,756	5,550,609	12,150,147	218.9%
Permanent	306,344	302,801	3,543	
Unrestricted	<u>(227,777,614)</u>	<u>(211,683,083)</u>	<u>(16,094,531)</u>	7.6%
Total net position	<u>\$(115,055,266)</u>	<u>\$(100,304,634)</u>	<u>\$ (14,750,632)</u>	14.7%

## NET POSITION (Continued)

### Net Position Distribution December 31, 2019



By far, the largest component of the Town's net position is its investment in capital assets (land improvements, building improvements, infrastructure, machinery and equipment and construction-in-progress). The Town uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The deficit balance in unrestricted net position does not necessarily indicate fiscal stress. The deficit balance of unrestricted net position arose primarily due to long-term liabilities, which include general obligation bonds, compensated absences, capital leases, claims and judgments, net pension liability-proportionate share, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations and postemployment benefits healthcare costs (OPEB) that will be funded through future budgetary appropriations when they become payable in future periods. At the end of the current year, the Town was able to report positive balances in the categories of net investment in capital assets and restricted net position. The same held true for the prior year.

Total assets increased by \$9,284,262, mainly due to an increase in capital assets of \$3,755,037 and current assets by \$5,805,225.

Deferred outflows of resources decreased by \$6,408,437 due to a decrease of \$6,335,736 in postemployment benefits healthcare costs. See Note 3.D. for breakdown of deferred outflows of resources related to postemployment benefits healthcare costs and see Note 3.C. for breakdown of deferred outflows of resources related to pensions.

Restricted fund balance also increased by \$7,355,703 mainly due to an increase in funds restricted for capital projects of \$3,048,322 and Special Revenue funds restriction of \$4,597,074.

The total net position of the Town as of December 31, 2019 was a deficit of \$115,055,266, an increase of \$14,750,632 from the prior year. Of the total net position, \$94,715,248 was the net investment in capital assets, while \$17,700,756 was restricted by statute or other specific purpose and \$227,777,614 was the unrestricted deficit.

## NET POSITION (Continued)

Total net position deficit was again increased in the current year by \$14,750,632 and will likely continue to increase in subsequent years due to the ongoing recognition of the Town's postemployment benefits healthcare (OPEB) costs. The unfunded liability for postemployment healthcare benefit costs increased due to the \$9,981,789 change in total liability, bringing the OPEB liability at year end to \$258,719,035 and the related deferred outflow of resources to \$22,872,007. Additional information on postemployment benefits healthcare costs can be found in Note 3.D to the financial statements.

In addition, the Town's share of the New York State Pension Plan net pension liability increased by \$4,373,713 due to changes in the actuarial valuation. Additional information on the Town's pension plan can be found in Note 3.C. to the financial statements.

### Change in Net Position

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenue:</b>				
Program revenue:				
Charges for services	\$ 36,888,553	\$ 33,208,132	\$ 3,680,421	11.1%
Operating grants and contributions	1,829,290	1,674,312	154,978	9.3%
Capital grants and contributions	1,760,955	1,922,059	(161,104)	-8.4%
General revenue:				
Real property taxes	57,034,129	55,497,999	1,536,130	2.8%
Other tax items	1,198,976	1,251,511	(52,535)	-4.2%
Non-property tax items	2,804,631	2,820,596	(15,965)	-0.6%
Mortgage tax	4,438,112	5,189,221	(751,109)	-14.5%
Use of money and property	1,360,055	589,116	770,939	130.9%
Sale of property and compensation for loss	872,953	548,888	324,065	59.0%
State aid	653,191	671,178	(17,987)	-2.7%
Other	1,856,158	923,686	932,472	
Total revenue	<u>110,697,003</u>	<u>104,296,698</u>	<u>6,400,305</u>	6.1%
<b>Expenses:</b>				
General support	25,944,705	24,006,745	1,937,960	8.1%
Public safety	12,280,271	13,557,795	(1,277,524)	-9.4%
Health	3,961,476	3,812,788	148,688	3.9%
Transportation	35,628,529	36,437,639	(809,110)	-2.2%
Economic assistance and opportunity	220	110	110	100.0%
Culture and recreation	16,515,753	15,092,509	1,423,244	9.4%
Home and community services	30,290,699	28,422,174	1,868,525	6.6%
Interest on debt	825,982	657,087	168,895	25.7%
Total expenses	<u>125,447,635</u>	<u>121,986,847</u>	<u>3,460,788</u>	2.8%
Change in Net Position	<u>(14,750,632)</u>	<u>(17,690,149)</u>	<u>2,939,517</u>	-16.6%

**GOVERNMENTAL ACTIVITIES:**

For the fiscal year ended December 31, 2019, revenues from governmental activities totaled \$110,697,003.

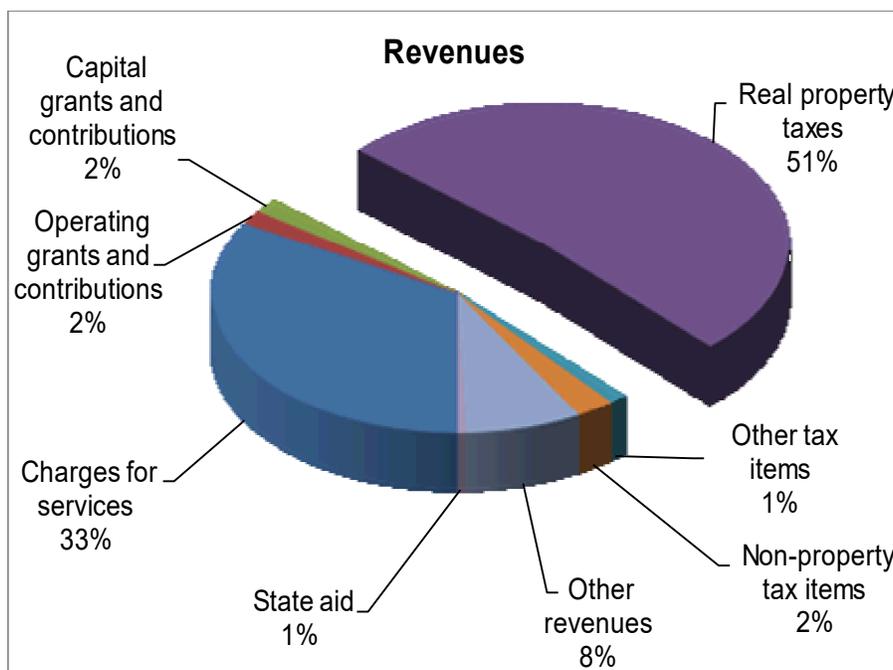
- Tax, other tax items and non-property taxes revenues totaling \$61,037,736 represent the largest revenue source (55.1%).
- The \$6,400,305 increase in total governmental activities revenues from the prior year is the result of a combination of the following significant factors:
  - Property taxes increased by approximately \$1.5 million
  - Departmental Income increased by \$3.7 million

**NET COST OF SERVICES:**

Total Cost of Services 2019	Total Cost of Services 2018	Total Revenue 2019	Total Revenue 2018	Net Cost of Services 2019	Net Cost of Services 2018
-----------------------------	-----------------------------	--------------------	--------------------	---------------------------	---------------------------

**Functions:**

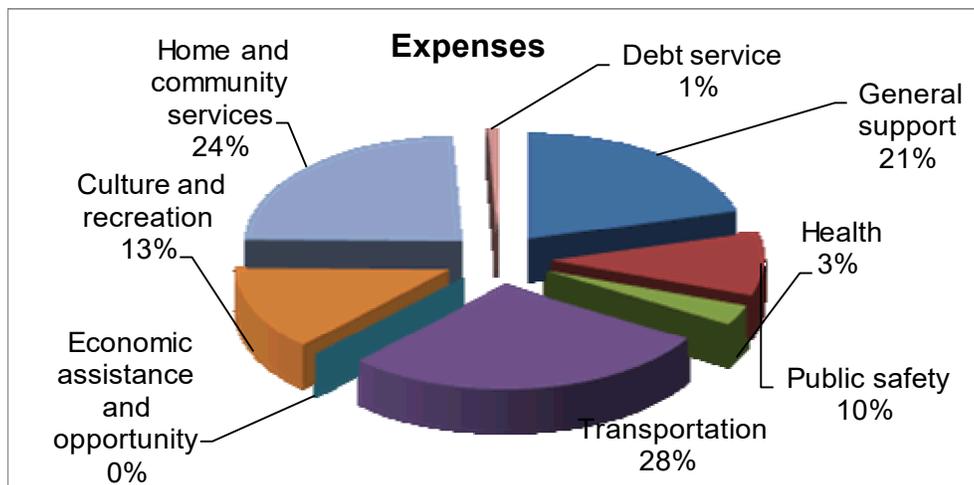
General government support	\$ 25,944,705	\$ 24,006,745	\$ 3,715,667	\$ 361,315	\$(22,229,038)	\$(23,645,430)
Public safety	12,280,271	13,557,795	1,932,514	3,450,755	(10,347,757)	(10,107,040)
Health	3,961,476	3,812,788	712,268	687,244	(3,249,208)	(3,125,544)
Transportation	35,628,529	36,437,639	1,749,270	2,223,682	(33,879,259)	(34,213,957)
Economic assistance and opportunity	220	110	186,305	128,855	186,085	128,745
Culture and recreation	16,515,753	15,092,509	1,739,106	3,975,236	(14,776,647)	(11,117,273)
Home and community services	30,290,699	28,422,174	30,443,668	25,977,416	152,969	(2,444,758)
Interest on debt	825,982	657,087	-	-	(825,982)	(657,087)
<b>Total</b>	<b>\$125,447,635</b>	<b>\$121,986,847</b>	<b>\$ 40,478,798</b>	<b>\$ 36,804,503</b>	<b>\$(84,968,837)</b>	<b>\$(85,182,344)</b>



## GOVERNMENTAL ACTIVITIES (Continued)

For the fiscal year ended December 31, 2019, expenses from governmental activities totaled \$125,447,635. The largest components of governmental activities expenses are general governmental support \$25,944,705 (21%), public safety \$12,280,271 (10%), transportation \$35,628,529 (28%), home and community services \$30,290,699 (24%), and culture and recreation \$16,515,753 (13%). Expenses increased from the prior year by \$3,460,788, or 2.8%, primarily as a result of a combination of the following significant factors:

- General support increased by \$1,937,960
- Home and community services increased by \$1,868,525
- Public Safety decreased by \$1,277,524
- Culture and recreation increased by \$1,423,244



	2019	2018
Real property taxes	\$ 57,034,129	\$ 55,497,999
Other real property tax items	1,198,976	1,251,511
Non-property tax items - franchise fees	2,804,631	2,820,596
Mortgage tax	4,438,112	5,189,221
Investment earnings - Unrestricted	1,360,055	589,116
Other general revenues	3,382,302	2,143,752
Charges for services	36,888,553	33,208,132
Operating grants and contributions	1,829,290	1,674,312
Capital Grants and contributions	1,760,955	1,922,059
	<u>\$110,697,003</u>	<u>\$104,296,698</u>

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$50,003,291 an increase of \$4,226,507 compared to last years ending balance of \$45,776,784. The non-spendable fund balance component is \$3,381,207 consisting of amounts representing prepaid items and inventory. Fund balance of \$17,700,756 is restricted primarily for capital reserves, special revenue funds and capital project fund restrictions. The assigned fund balance classification aggregates \$13,394,088 consisting primarily of amounts for special revenue funds, and capital projects. The remaining fund balance of \$15,527,240 is unassigned and represents the remaining positive fund balance in the General Fund after amounts that have been restricted, committed or assigned for other purposes.

The **General Fund** is the primary operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,527,240, representing 71.7% of the total General fund balance of \$21,657,805. This is an increase from the prior year, when the total unassigned fund balance was \$14,744,092. This increase in the unassigned general fund balance of \$783,148 or 5.3% resulted from not using \$738,542 appropriated in the 2018 budget for the subsequent year's budget. In 2019, funds were not appropriated for the subsequent year's budget.

Two useful measures of liquidity are the percentage of unassigned fund balance to total expenditures and total fund balance to total expenditures. At the end of the current fiscal year, the General Fund showed unassigned fund balance as compared to total expenditures and other financing uses of 32.2% in 2019 as compared to 32.5% in the prior year.

The fund balance of the General Fund increased by \$34,064 during the fiscal year ended December 31, 2019. This surplus was due to the following:

- Actual revenues and other financing sources were higher than the **final** budget by \$696,527, a positive variance of 1.4% of the final budget.
- Actual expenditures and other financing uses were favorable to budget by \$1,200,331 before encumbrances representing a positive variance of 2.4% of the total budget.
- The General Fund balance was reduced by the authorized use of prior year fund balance of \$782,316.
- Additional use of fund balance primarily for capital improvements during the year was \$1,080,478,

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

### Governmental Funds (Continued)

Contributing factors for the positive revenue variance of \$696,527 were Commercial Waste Revenue which was \$400,920 greater than budget, Use of money and property and Premium on debt issuance was \$647,359 greater than budget and Mortgage Tax was \$361,888 less than budget.

Contributing factors for the positive expense variance of \$1,200,329 were:

- Public Safety salaries of \$229,257 and Transportation salaries of \$122,578 were less than budget due to retirements or unfilled positions.
- Other Public Safety expenditures for communications and equipment rental were less than budget by \$135,702
- Culture and Recreation program expenditures were less by \$123,048.
- Home and Community were less than budget for the Landfill costs at Montclair Yard and less leachate costs of \$66,495
- Less general government expense due to unexpended encumbrances of \$187,129.

**The Highway Fund's** total fund balance at the end of the current fiscal year was \$5,584,368, an increase of \$1,006,803 from the previous year. The increase in fund balance of \$1,006,803 was primarily due to positive operating variances as compared the **final** budget before encumbrances of \$1,231,391 and the prior use of fund balance for the year of \$224,588, the majority of which was for Appropriated Debt Reserve.

Contributing factors for the operating variance were:

- Positive revenue variance in use of money and property (interest) of \$154,268.
- Licenses and permit revenues had a positive variance of \$142,733
- Expenditures were less than budget in transportation costs of \$966,394
  - Due to a mild winter snow related expenditures were less than budget by \$219,596,
  - Road Maintenance expenditures were below final budget by \$418,833
  - Unexpended encumbrance of \$289,489 due to a delay in the delivery of a new truck

**The Refuse and Garbage Fund** reflects a fund balance of \$2,688,762 at the end of the current fiscal year, a decrease of \$194,772 from the previous year. The Refuse and Garbage fund had a prior use of fund balance of \$1,123,696, the majority of which was appropriated in the original budget. The use of fund balance along with a positive variance to final budget before encumbrances of \$928,924 accounted for the decrease of \$194,772. Contributing factors to the Positive variance to final budget consisted of the following revenue amounts greater than budget:

- Intergovernmental charges of \$443,008,
- Sale of property and compensation for loss \$232,359,
- Use of money and property of \$91,869.

**The Capital Projects Fund** reflects a fund balance of \$11,466,384 at the end of the current fiscal year, an increase of \$2,755,431 from the previous year, mainly due to debt issuance proceeds of \$10,526,459 and transfers in of \$5,594,536 offset by capital outlay of \$14,564,427.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

**The Other Governmental Funds'** consisting of eight non-major funds had a total fund balance at the end of the current fiscal year of \$8,605,972, an increase of \$624,981 from the previous year. The most notable contributing factors are:

The **Town Outside Village** had an increase in fund balance of \$247,932. The Town Outside Village had a prior use of fund balance of \$419,675, of which \$300,000 were for capital projects. The use of fund balance along with positive revenue variances in Departmental Revenue, Use of Money and Property and State Aid and Premium of debt issuance of \$371,821 and expenses less than budget for salaries and other of \$269,921 accounted for most the increase in fund balance.

The **Special Revenue** fund had an increase in fund balance of \$379,864. The Special Revenue fund had a prior use of fund balance of \$510,788, the majority of which was for legal settlements. The use of fund balance along with positive variances in Miscellaneous Revenues of \$149,804 and expenses less than budget for insurance were \$675,867 accounted for most of the increase in fund balance.

The **Street Lighting Districts** had a decrease in fund balance of \$172,147. The Street Lighting Districts had a prior use of fund balance of \$214,098, the majority of which was appropriated in the original budget. The use of fund balance along with positive variances in use of money and property of \$16,430 accounted for most of the decrease in fund balance.

The **Ambulance Districts** had an increase in fund balance of \$126,690. The Ambulance Districts had a prior use of fund balance of \$64,300. The use of fund balance along with Departmental income greater than budget of \$116,598 and Health Contractual services less than budget of \$71,937 accounted for most of the increase.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$1,527,240 or 3.2% increase in overall spending between the original budget of \$47,905,875 and the final budget of \$49,433,115. There are no variances that are expected to have a significant effect on future services or liquidity. Please see the "General Fund" section for more details on the comparison of final budget and actual amounts. Over the course of the year, the Town Board revises the budget as needed so that expenditures do not exceed appropriations. The following are the main components of the increase in appropriations:

- \$849,697 was funded by fund balance for transfers to capital projects fund and other improvements.
- \$139,232 for remediation of unsafe structures to be reimbursed to the Town through the Tax Warrant.
- \$120,779 for prior year encumbrances transferred over to current year.
- \$100,000 was funded by fund balance for a legal settlement as well as \$90,000 for litigation and counsel expenses funded from revenue received from a legal settlement.
- \$34,149 for equipment costs funded by sale of surplus equipment.
- \$88,115 for marina dock costs funded by miscellaneous sales.
- \$47,500 for grant expense in relation to grant revenue for Economic Assistance and Opportunity (Zombie) Grant.

### Capital Assets

The Town's investment in capital assets for governmental activities at December 31, 2019, net of \$213,694,434 of accumulated depreciation, was \$130,767,188. The investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment and construction-in-progress.

More detailed information on capital assets can be found in Note 3. B. Capital Assets in the notes to the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Major capital asset activity during the current fiscal year included the following:

- Highway road, drainage, and sidewalk improvements throughout the Town were completed for \$7,058,241
- Other infrastructure improvements were \$1,370,239, which mainly consisted of lighting upgrades, park improvements and regional fuel facility improvements.
- Construction in progress additions totaled \$3,270,009. While dispositions totaled \$735,342.
- The Town reported \$667,535 in capital lease obligations for new five-year leased vehicles obtained through a fleet management agreement with Enterprise Fleet Management.
- The Town purchased machinery and equipment totaling \$4,439,408

Capital Assets (Net of Accumulated Depreciation)

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Percent Change</u>
Land	\$ 18,101,396	\$ 18,101,396	0.0%
Construction in progress	3,887,674	1,353,007	187.3%
Buildings and improvements	9,097,372	9,045,907	0.6%
Infrastructure	87,236,810	86,694,058	0.6%
Machinery and equipment	11,462,892	10,859,380	5.6%
Furniture and office equipment	<u>981,044</u>	<u>958,403</u>	2.4%
 Total capital assets	 <u>\$130,767,188</u>	 <u>\$127,012,151</u>	 3.0%

### Long-term Debt

In 2016, Moody's Investors Services reaffirmed the Town's rating of Aaa to the Town. The Aaa rating, which is the highest rating achievable, reflects the Town's substantial, diverse and wealthy tax base that includes Fortune 500 corporate headquarters, a low debt burden, adequate reserve levels and strong fiscal management. The stable outlook reflects Moody's belief that the Town continues to restore structure balance and its reserves. This was reaffirmed by Moody's in February 2020.

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$29,277,260 in comparison to \$22,454,380 at the end of the prior year. For the year ended December 31, 2019, the Town's debt increased by \$6,822,880. As required by New York State Law, all bonds issued by the Town are general obligation bonds, backed by the full faith and credit of the Town.

More detailed information on long-term debt can be found in Note 3. D. Long-term Liabilities in the notes to the financial statements.

Known as the "constitutional debt limit", and pursuant to New York State Local Finance Law §104, the Town must limit total outstanding long-term debt to no more than 7% of the five-year average full valuation of real property. At December 31, 2019, the Town had only utilized 2.08% of its constitutional debt limit.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town has adopted a budget for 2020 that increased revenue and expenditures by \$1,064,978 over the 2019 adopted budget in the general fund. The general fund budget includes a real property tax increase of approximately 6.72% over 2019. In 2019, no funds in the operating funds were appropriated for the subsequent year's budget.

Overall the Town's real property tax increased approximately 3.5% in 2020 which did not exceed the tax cap limitation.

The Town receives financial assistance from New York State and Suffolk County. The 2020 budget includes mortgage tax of \$4,300,000. State aid per capita of \$500,000 and state government assistance of \$2,548,722. 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.

In addition, the United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). A national emergency was declared on March 13, 2020. The Governor of New York signed an Executive Order on March 20, 2020 placing certain restrictions upon residents and businesses which includes a plan to re-open the economy in phases. The overall consequences of COVID-19 on the Town of Smithtown as it relates to State grants and other departmental revenues are unknown at this time.

The Town will be closely monitoring the current economic conditions and making adjustments as necessary.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in those finances. Questions and comments concerning any of the information provided in this report should be addressed to:

Donald Musgnug, Town Comptroller  
Town of Smithtown, New York  
99 W. Main Street  
P.O. Box 9090  
Smithtown, NY 11787

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash - Unrestricted	46,384,069
Cash - Restricted	4,784,630
Receivables:	
Accounts receivable	3,192,635
Due from other governments	2,935,279
Due from other funds	856,003
Prepaid items	2,328,991
Inventory of materials and supplies	<u>745,872</u>
 Total current assets	 <u>61,227,479</u>
Non-current assets:	
Receivables, service concession arrangements, net of current	868,000
Non-depreciable capital assets	21,989,070
Depreciable assets, net of accumulated depreciation	<u>108,778,118</u>
 Total non-current assets	 <u>131,635,188</u>
 Total assets	 <u>192,862,667</u>
Deferred outflows of resources:	
Deferred outflows of resources - Postemployment benefits healthcare costs	22,872,007
Deferred outflows of resources - pensions	<u>7,812,095</u>
 Total deferred outflows of resources	 <u>30,684,102</u>
 Total assets and deferred outflows of resources	 <u>223,546,769</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	9,686,892
Accrued interest	232,642
Unearned revenues	735,111
Other liabilities	4,935
Current portion of long term debt	<u>5,410,635</u>
 Total current liabilities	 <u>16,070,215</u>
Non-current liabilities:	
Bonds payable	27,314,140
Compensated absences	6,586,082
Net pension liability	8,061,901
Capital leases	2,636,039
Claims and judgments	1,576,191
Estimated liability for landfill closure and post closure costs	13,544,654
Total other postemployment benefits healthcare	258,719,035
Pollution remediation obligations	<u>200,000</u>
 Total long-term liabilities	 <u>318,638,042</u>
 Total liabilities	 <u>334,708,257</u>
Deferred inflows of resources:	
Deferred inflows of resources - Deferred service concession arrangement receipts	1,144,000
Deferred inflows of resources - Pensions	2,707,528
Deferred inflows of resources - Other miscellaneous items	<u>42,250</u>
 Total deferred inflows of resources	 <u>3,893,778</u>
 Total liabilities and deferred inflows of resources	 <u>338,602,035</u>
<b>NET POSITION</b>	
Net investment in capital assets	94,715,248
Restricted	17,700,756
Permanent fund:	
Nonspendable	306,344
Unrestricted	<u>(227,777,614)</u>
 Total net position	 <u>\$ (115,055,266)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:					
Governmental activities -					
General governmental support	\$ 25,944,705	\$ 2,630,391	\$ 1,085,276	\$ -	\$ (22,229,038)
Public safety	12,280,271	1,602,485	330,029	-	(10,347,757)
Health	3,961,476	451,012	261,256	-	(3,249,208)
Transportation	35,628,529	124,338	76,940	1,547,992	(33,879,259)
Economic opportunity and development	220	186,305	-	-	186,085
Culture and recreation	16,515,753	1,663,317	75,789	-	(14,776,647)
Home and community services	30,290,699	30,230,705	-	212,963	152,969
Interest	<u>825,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(825,982)</u>
Total governmental activities	<u>\$ 125,447,635</u>	<u>\$ 36,888,553</u>	<u>\$ 1,829,290</u>	<u>\$ 1,760,955</u>	<u>\$ (84,968,837)</u>
GENERAL REVENUES:					
Real property taxes					57,034,129
Other real property tax items					1,198,976
Non-property tax items - franchise fees					2,804,631
Mortgage tax					4,438,112
Investment earnings					1,360,055
Sale of property and compensation for loss					872,953
State aid					653,191
Miscellaneous					<u>1,856,158</u>
Total general revenues					<u>70,218,205</u>
Change in net position					(14,750,632)
Total net position - beginning of year					<u>(100,304,634)</u>
Net position - end of year					<u>\$ (115,055,266)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,539,176	\$ 5,418,557	\$ 4,299,596	\$ 14,996,889	\$ 8,129,851	\$ 46,384,069
Cash - restricted	4,471,078	-	-	-	313,552	4,784,630
Accounts receivable	1,622,345	13,735	9,563	10,555	781,437	2,437,635
Due from other funds	1,063,604	227,106	4,688	648,562	114,810	2,058,770
Due from other governments	2,371,746	13,073	67,508	366,468	116,484	2,935,279
Prepays	1,186,212	668,054	148,776	-	325,949	2,328,991
Inventory	-	745,872	-	-	-	745,872
	<u>-</u>	<u>745,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>745,872</u>
<b>Total assets</b>	<b><u>\$ 24,254,161</u></b>	<b><u>\$ 7,086,397</u></b>	<b><u>\$ 4,530,131</u></b>	<b><u>\$ 16,022,474</u></b>	<b><u>\$ 9,782,083</u></b>	<b><u>\$ 61,675,246</u></b>
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 2,516,831	\$ 757,169	\$ 1,841,369	\$ 3,489,681	\$ 1,081,842	\$ 9,686,892
Due to other funds	91	108,963	-	1,028,594	65,119	1,202,767
Unearned revenue	32,249	635,897	-	37,815	29,150	735,111
Other liabilities	4,935	-	-	-	-	4,935
	<u>4,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,935</u>
<b>Total liabilities</b>	<b><u>2,554,106</u></b>	<b><u>1,502,029</u></b>	<b><u>1,841,369</u></b>	<b><u>4,556,090</u></b>	<b><u>1,176,111</u></b>	<b><u>11,629,705</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Other miscellaneous items	42,250	-	-	-	-	42,250
	<u>42,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,250</u>
<b>Total deferred inflows of resources</b>	<b><u>42,250</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>42,250</u></b>
<b>FUND BALANCES:</b>						
Nonspendable	1,186,212	1,413,926	148,776	-	632,293	3,381,207
Restricted	4,540,316	193,213	2,539,986	7,842,766	2,584,475	17,700,756
Assigned	404,037	3,977,229	-	3,623,618	5,389,204	13,394,088
Unassigned	15,527,240	-	-	-	-	15,527,240
	<u>15,527,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,527,240</u>
<b>Total fund balances</b>	<b><u>21,657,805</u></b>	<b><u>5,584,368</u></b>	<b><u>2,688,762</u></b>	<b><u>11,466,384</u></b>	<b><u>8,605,972</u></b>	<b><u>50,003,291</u></b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b><u>\$ 24,254,161</u></b>	<b><u>\$ 7,086,397</u></b>	<b><u>\$ 4,530,131</u></b>	<b><u>\$ 16,022,474</u></b>	<b><u>\$ 9,782,083</u></b>	<b><u>\$ 61,675,246</u></b>

The accompanying notes are an integral part of these statements.

# TOWN OF SMITHTOWN, NEW YORK

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2019

---

Total fund balance - governmental funds	\$ 50,003,291
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Deferred outflows of resources not reported in governmental funds, related to the following:	
Pension	7,812,095
Postemployment benefits healthcare costs	22,872,007
Deferred inflow of resources not reported in governmental funds, related to the following:	
Pension	(2,707,528)
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.	130,767,188
Long-term liabilities that are not due and payable in the current period are not reported in the funds	
General obligation bonds	(29,277,260)
Compensated absences	(7,383,341)
Capital leases	(3,780,021)
Claims and judgement	(1,701,191)
Net pension liability, proportionate share	(8,061,901)
Estimated liability for landfill closure and post closure care costs	(14,110,780)
Postemployment benefits healthcare costs	(258,719,035)
Pollution remediation obligations	(200,000)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities	(815,148)
Unbilled water applicable to the Town's governmental activities not due and receivable in the current period, and accordingly, are not reported in the funds. However, these assets are included in the statement of Net Position	479,000
Receivables, service concession arrangements are not available to pay for current period expenditures and therefore are not reported in the funds.	1,144,000
Deferred inflows, service concession arrangements not reported in the funds.	(1,144,000)
Interest payable 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.	<u>(232,642)</u>
Total net position of governmental activities	<u>\$ (115,055,266)</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Highway Fund	Refuse and Garbage Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
<b>REVENUES:</b>						
Real property taxes	\$ 25,280,351	\$ 23,923,575	\$ -	\$ -	\$ 7,830,203	\$ 57,034,129
Other tax items	663,488	365,039	-	-	170,449	1,198,976
Nonproperty tax items	2,804,631	-	-	-	-	2,804,631
Departmental income	10,654,366	-	15,019,498	-	6,544,197	32,218,061
Intergovernmental charges	628,036	35,220	1,091,240	-	50,509	1,805,005
Use of money and property	819,471	219,268	119,973	-	201,343	1,360,055
Licenses and permits	130,214	192,733	-	-	2,088,955	2,411,902
Fines and forfeitures	445,252	-	38,333	-	-	483,585
Sale of property and compensation for loss	163,279	185,125	484,105	-	40,444	872,953
Interfund revenue	54,127	2,082,297	3,943	-	10,325	2,150,692
State aid	5,846,239	1,170,532	90,572	186,920	320,524	7,614,787
Federal aid	385,400	-	-	453,181	198,180	1,036,761
Miscellaneous	44,816	553	-	696,671	1,106,118	1,848,158
	<u>47,919,670</u>	<u>28,174,342</u>	<u>16,847,664</u>	<u>1,336,772</u>	<u>18,561,247</u>	<u>112,839,695</u>
Total revenues						
<b>EXPENDITURES:</b>						
General governmental support	13,830,243	-	-	-	270,706	14,100,949
Public safety	3,498,045	-	-	-	3,240,498	6,738,543
Health	933,500	-	-	-	2,067,876	3,001,376
Transportation	1,145,073	14,610,299	-	-	1,090,593	16,845,965
Economic opportunity and development	220	-	-	-	-	220
Culture and recreation	7,648,464	-	-	-	429,390	8,077,854
Home and community services	5,442,442	-	15,028,183	-	5,620,226	26,090,851
Employee benefits	12,516,081	7,857,589	1,808,655	-	3,838,491	26,020,816
Debt service -						
Principal	1,919,691	690,350	221,277	-	506,937	3,338,255
Interest	430,078	178,455	49,126	-	141,409	799,068
Capital outlay	-	-	-	14,564,427	-	14,564,427
	<u>47,363,837</u>	<u>23,336,693</u>	<u>17,107,241</u>	<u>14,564,427</u>	<u>17,206,126</u>	<u>119,578,324</u>
Total expenditures						
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>555,833</u>	<u>4,837,649</u>	<u>(259,577)</u>	<u>(13,227,655)</u>	<u>1,355,121</u>	<u>(6,738,629)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	69,316	476,965	29,929	5,594,536	11,699	6,182,445
Transfers out	(868,947)	(4,395,000)	-	(137,909)	(780,589)	(6,182,445)
Debt issuance proceeds	-	-	-	9,192,260	-	9,192,260
Capital lease proceeds	-	-	-	1,334,199	-	1,334,199
Premium on debt issuance	277,862	87,189	34,876	-	38,750	438,677
	<u>(521,769)</u>	<u>(3,830,846)</u>	<u>64,805</u>	<u>15,983,086</u>	<u>(730,140)</u>	<u>10,965,136</u>
Total other financing sources and uses						
<b>CHANGE IN FUND BALANCE</b>	<u>34,064</u>	<u>1,006,803</u>	<u>(194,772)</u>	<u>2,755,431</u>	<u>624,981</u>	<u>4,226,507</u>
<b>FUND BALANCE - beginning of year</b>	<u>21,623,741</u>	<u>4,577,565</u>	<u>2,883,534</u>	<u>8,710,953</u>	<u>7,980,991</u>	<u>45,776,784</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 21,657,805</u>	<u>\$ 5,584,368</u>	<u>\$ 2,688,762</u>	<u>\$ 11,466,384</u>	<u>\$ 8,605,972</u>	<u>\$ 50,003,291</u>

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

---

Net change in fund balances - governmental funds \$ 4,226,507

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report 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. This is the  
amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay expenditures less disposals	16,075,619
Depreciation expense	(12,216,977)
Loss on disposition	(103,605)

Net change in deferred outflows of recourses related to pensions

Pensions	(72,701)
Postemployment benefits healthcare costs	(6,335,736)

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds.

8,000

The issuance of long-term debt and increase in obligations provides current financial  
resources to governmental funds, while the repayment of the principal of longer term debt  
consumes the current financial resources of governmental funds. Neither transaction has any  
effect on net position

Debt issued	(9,192,260)
Repayment of debt principal	2,369,380
Compensated absences	183,496
Capital Lease proceeds	(1,334,199)
Repayment of capital lease	968,875
Claims and judgements	1,762,303
Net pension liability - proportionate share	(4,373,713)
Estimated liability for landfill closure and post closure care costs	18,470
Pollution remediation obligations	-
Postemployment benefits healthcare costs	(9,981,789)
Accrued interest payable	(62,922)

Net Change in deferred inflows of resources related to pensions 3,713,288

Premiums of bond issuances recognized in governmental funds statements when  
issued and capitalized and amortized in the Statement of Activities

(402,668)

Change in net position of governmental activities

\$ (14,750,632)

The accompanying notes are an integral part of these statements.

**TOWN OF SMITHTOWN, NEW YORK**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2019**

---

	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 107,888,111
Due from other funds	<u>91</u>
Total assets	<u>\$ 107,888,202</u>
<b>LIABILITIES</b>	
Due to other governments	86,230,421
Due to other funds	856,094
Other agency liabilities	<u>20,801,687</u>
Total liabilities	<u>\$ 107,888,202</u>

The accompanying notes are an integral part of these statements.

# TOWN OF SMITHTOWN, NEW YORK

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Smithtown (the "Town"), which was established in 1665, 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 Assessor, the Town Attorney, the Town Comptroller and the Town Engineer. The Town Clerk, Receiver of Taxes and Superintendent of Highways are elected and serve for four-year terms. 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 most significant of the Town's accounting policies are described below.

#### A. Financial Reporting Entity

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

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Town's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal burden and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

#### B. 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 non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Government-Wide Financial Statements (Continued)

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

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

### C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activity's column of the government-wide presentation. The Town's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:
  - General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.
  - 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. This includes financial resources to be used for the acquisition, construction, renovation, expansion and major improvement of various Town facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects. It is also used to account for some grants received from Federal, State and/or County sources.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Fund Financial Statements (Continued)

#### a. Governmental Funds – (Continued)

- Special Revenue Funds – Special revenue funds are established to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the Town are as follows:
  - Highway Fund – is used to account for revenues and expenditures for highway purposes. This includes all operations relating to the repair and maintenance of roads, bridges, machinery, snow removal and miscellaneous. Expenditures for repairs and improvements are financed by the areas outside the villages in accordance with Highway Law §277. The Town maintains a town wide and part-town highway fund that are combined for reporting purposes into the highway fund and shown as a major fund.
  - Refuse and Garbage Funds – is used to account for garbage collection and solid waste disposal in the Town. This includes residential garbage pickup. Commercial carters are contracted with the Town to provide residential collection of solid waste and are responsible for the ultimate disposal of the solid waste. Only residential properties contribute to the operations of the district via user fees on a benefit derived basis .

Additionally, the Town reports the following non major funds:

Special Revenue Funds include the following:

- Town Outside Village Fund – is used to account for revenues and expenditures for certain services provided to the areas of the Town located outside of incorporated Villages.
- Special Grants Fund – is used to account for operations of the Community Development Block Grant Program.
- Special Revenues Fund – is used to account for risk retention activities including health insurance, unemployment insurance, workers' compensation insurance and liability insurance.
- Street Lighting Districts Fund – includes operation relating to the repair and maintenance of street lights located within the boundaries of the Town.
- Ambulance Districts Fund – includes amounts provided by the Town for a portion of their operations.
- Paul J. Fitzpatrick County Club Fund – is used to account for the golf course and catering facility used by the lessee as well as the public swimming pool operated by the Town's recreation department.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Fund Financial Statements (Continued)

Special Revenue Funds include the following (Continued):

- Special Districts Fund – The Special Districts Fund is provided to account for the operation and maintenance of the Town's water funds. The majority of revenue resources consist of property taxes, departmental income and rental income.
  - Smithtown Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissioners. This district does not encompass the entire Town; it serves portions of Smithtown, Kings Park, Commack and Hauppauge.
  - St. James Water District – includes all operations relating to water within the Town of Smithtown. The district is governed by a Board of Water Commissionaires. This district does not encompass the entire Town; it serves portions of Smithtown and St. James.
  - Birch Croft Colony Water Supply District – is an agreement between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Birch Croft Colony Water Supply District. The extension is served by the Suffolk County Water Authority.
  - 1987 and 1989 Water Supply Districts – are agreements between the Suffolk County Water Authority and the Town. All costs of the extensions were financed and levied as an assessment against the real property and improvements within the Districts. The extensions are served by the Suffolk County Water Authority.

Permanent Fund include the following:

- Nissequogue River Improvement Permanent Fund – is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Nissequogue River improvements.
- b. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to account for assets held by the Town in an agency capacity on behalf of others.
- Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Town as agent for various deposits that are payable to other jurisdictions or individuals.
    - Town Agency Fund – accounts for various agency liabilities.
    - Town Clerk Agency Fund – accounts for permit and license fees collected on behalf of other governments.
    - Town Receiver of Taxes Agency Fund – accounts for amounts due to other governments for general and school taxes collected.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within sixty (60) days after the year end. However, certain revenues may be considered available if received within one year after the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, capital leases, due to employees' retirement system, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and other postemployment benefits healthcare costs are recorded when payment is due or matured. 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 are mortgage tax, franchise fees, state and federal aid, intergovernmental revenue, sanitation billings, water billings, charges for services and operating transfers. All other governmental fund revenues are recognized when received. Permits, fees and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements are met. In the capital projects fund, long-term debt is recognized as revenue upon receipt of the proceeds.

Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when services are received; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absences, which vest or accumulate, are charged as expenditures when paid and (d) judgment and claims and retainage payable are recorded when due and payable.

Unearned revenues are those where asset recognition criteria have been met, but which revenue recognition criteria have not been met.

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

The agency funds use the accrual basis of accounting and do not measure the results of operations.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances

1. Town's investments are governed by a formal written investment policy. The Town's investment policy designates the commercial banks in which the Town's monies may be deposited, all of which are Federal Deposit Insurance (FDIC) insured commercial banks located within the state.

Cash and Cash Equivalents – Cash and cash equivalents consist of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, and when utilized, certificates of deposit with maturities of three months or less. Permissible investments also include special time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

2. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. The Town's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2019.
3. Restricted Cash – Certain assets of the general fund for park and land deposits, special grants fund, and permanent fund are classified as restricted cash because their use is restricted by law and/or contractual agreement.
4. Other Receivables – Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.
5. Due From/To Other Funds – During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.
6. Inventory - Inventory in the highway fund consists of tires and fuel for use in Town vehicles, sand and salt, and other various equipment and supplies on hand and is valued at cost, utilizing the first-in, first-out method (FIFO).

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

**E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)**

7. Prepaid Expenses/Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement and other costs which have been satisfied prior to the end of the fiscal year but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts in the fund financial statements are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.
8. Capital Assets – Capital assets are reported in the governmental activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more and a five-year useful life are capitalized and are reported at cost or estimated historical cost. Donated assets are valued at their acquisition value on the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Life in Years</u>
Buildings	40
Improvements other than buildings	25
Infrastructure	20
Machinery and equipment	5

Infrastructure assets, consisting of certain improvements other than buildings, including but not limited to roads, curbs and gutters, streets and sidewalks, drainage systems, street lighting, and water mains are capitalized along with other capital assets.

In the fund financial statements, capital assets are recorded as capital outlay expenditures in the governmental fund upon acquisition. No depreciation has been recorded on governmental capital assets in the fund financial statements, nor has interest on governmental capital assets and construction in progress been capitalized.

9. Unearned Revenues – Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned revenues consist of revenue received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Town has reported unearned revenues of \$635,897 for real property taxes in the Highway Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

10. Long-Term Obligations – In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences payable, capital leases payable, net pension liability, claims and judgments payable, estimated liability for landfill closure and postclosure care costs, pollution remediation obligations 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 expensed as incurred. Premiums related to the issuance of long-term debt are amortized on a straight-line basis over the life of the issue and are presented as part of the general obligation bonds payable in the non-current liabilities.

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 uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences – The various collective bargaining agreements provide for the payment of accumulated vacation and sick leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.
12. In addition to assets, the Balance Sheet or the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 of resources for pension related amounts and postemployment benefits healthcare costs. The amounts related to pensions consists of differences between the pension plan's expected and actual experience, changes in assumptions, changes in proportion and difference between the Town's contributions and proportionate share of contributions, and contributions made subsequent to the measurement date. The amounts related to postemployment benefits healthcare costs consists of differences between expected and actual experience and changes in assumptions.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

13. In addition to liabilities, the Balance Sheet or the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 pension related amounts, service concession arrangements, and unearned revenues. In the governmental funds Balance Sheet, unearned revenue represents amounts which relate to subsequent year's property tax levy and other miscellaneous items that will be recognized as revenues in the period that the amounts become available. In the Statement of Net Position, the Town reports deferred inflows of resources associated with its pension and the amounts are derived from the differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, and the changes in proportion and differences between the Town's contributions and proportionate share of contributions. Additionally, it reports amounts related to service concession arrangements that will be recognized as revenues in future years as it is earned.

- Net Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.
- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization 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.
- Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Permanent fund principal amounts are displayed as expendable and/or nonexpendable. Nonexpendable net assets are required to be retained in perpetuity.
- 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.
  - 1) Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. prepaid items or inventories), or (b) will not convert to cash within the current period (i.e. long-term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

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

- 2) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, granters, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Assets, Liabilities Deferred Inflows/Outflows of Resources and Net Position or Fund Balances (Continued)

- 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 has 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 is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.
- When outlays for a particular purpose can be funded from both restricted and unrestricted resources it is the Town's default policy to consider restricted net position to have been depleted before unrestricted net position is applied.
  - When both restricted and unrestricted fund balance resources are available for use, it is the Town's default policy to use restricted resources first, and then unrestricted resources - committed, assigned and unassigned - in order as needed.
  - Fund Balance Policy - The Town has, by resolution, adopted a fund balance policy that states that the Town must maintain a minimum unrestricted (the total of committed, assigned and unassigned) fund balance ranging from 5% to 10% of the subsequent year's budgeted expenditures and outgoing transfers. Unrestricted fund balance below the minimum should be replenished within five years. Authority to assign fund balance for specific purposes is given to the Town Supervisor. The Town Board has the authority to remove or change the assignment of the funds with a simple majority vote.

### F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose in order to reserve that portion of the applicable appropriation, 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. Appropriations for all governmental funds except the capital projects fund lapse at year-end. However, encumbrances reserved against fund balance are re-appropriated in the ensuing year.

### G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Data**

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

- a) On or before September 20th, each department, officer or district submits to the Budget Officer and/or Comptroller, a detailed estimate of the budget known as "departmental estimates" for the amount of revenue to be received and expenditures to be made for the ensuing year.
- b) On or before September 30th, the Budget Officer files with the Town Clerk and presents to the Town Board a tentative budget for the ensuing year.
- c) On or before October 5th, the Town Board reviews the tentative budget and files with the Town Clerk a preliminary budget.
- d) The Town Board conducts public hearings on the preliminary budget and on or before November 20th the Town Board meets to adopt the budget known as the "annual budget".
- e) Formal budget 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 capital projects fund lapse at year-end.
- f) Budgets for the general fund and certain special revenue funds are legally adopted each year. The budgets are adopted on a basis of accounting consistent with GAAP, except that appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years. In the event that actual expenditures exceed budgeted amounts, budgetary appropriations are made.
- g) Annual budgets are not prepared for the capital projects fund and permanent fund. Programs in the special grant fund are governed by various grant agreements, which cover periods other than the Town's calendar year adopted budget for their programs. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects, which remain in effect for the life of the project.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities, however there are permitted exceptions and adjustments that can increase the property tax cap percentage. Beginning in 2012, no local government is authorized to increase its property tax levy by more than the calculated property tax cap; however local governments can exceed the property tax cap limit by a 60% vote of the governing body and annually adopting a local law. The Town did not exceed the tax levy limit in 2019.

## **3. DETAILED NOTES ON ALL FUNDS**

### **A. Cash and Cash Equivalents and Investments**

The Town's investments are governed by a formal written investment policy. The Town's investment policy designates the commercial banks in which the Town's monies may be deposited, all of which are Federal Deposit Insurance Company (FDIC) insured commercial banks located within the state.

### **3. DETAILED NOTES ON ALL FUNDS (Continued)**

#### **A. Cash and Cash Equivalents and Investments (Continued)**

Cash and cash equivalents consist of funds deposited in demand accounts, both interest bearing and non-interest bearing, petty cash, and when utilized, certificates of deposit with maturities of three months or less. Permissible investments also include special time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Financial institutions can satisfy collateral requirements by furnishing an eligible letter of credit, by pledging eligible securities as specified in Section 10 of New York State General Municipal Law (GML) and the Town's investment policy or participating in a deposit placement program pursuant to Section 9-r of the New York State Banking Law. Eligible securities that may be pledged as collateral include but are not limited to obligations of the United States or its agencies, obligations of New York State and obligations of municipalities of New York State.

At December 31, 2019, the Town's deposits were \$159,051,085. This amount is inclusive of fiduciary fund deposits of \$107,888,111 and restricted cash of \$4,784,630, but exclusive of petty cash of \$5,725. The bank balance was \$158,835,012. Of the total bank balance, \$7,367,039 was covered by the Federal Depository Insurance Corporation (FDIC), \$15,715,847 was covered by collateral held by the Town's agent, a third party financial institution, in the Town's name, \$75,267,472 was covered by collateral held by the bank, in the Town's name, and \$60,484,653 was covered by an irrevocable letter of credit from a federal home loan bank.

**Credit Risk** - The Town's written investment guidelines and policies are designed to protect principal by limiting risk. State law and Town law limit investments to those authorized by State statutes.

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

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

As of December 31, 2019, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### B. Capital Assets

Changes in the Town's capital assets are as follows:

	January 1, 2019 Balance	Additions	Disposals	December 31, 2019 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 18,101,396	\$ -	\$ -	\$ 18,101,396
Construction in progress	<u>1,353,007</u>	<u>3,270,009</u>	<u>735,342</u>	<u>3,887,674</u>
Total non-depreciable cost	<u>19,454,403</u>	<u>3,270,009</u>	<u>735,342</u>	<u>21,989,070</u>
Capital assets that are depreciated:				
Buildings and improvements	21,703,112	441,255	5,950	22,138,417
Infrastructure	248,400,259	8,428,480	2,823,294	254,005,445
Machinery and equipment	40,591,440	4,439,408	1,996,075	43,034,773
Furniture and office equipment	<u>3,077,782</u>	<u>231,809</u>	<u>15,674</u>	<u>3,293,917</u>
Total depreciable historical cost	<u>313,772,593</u>	<u>13,540,952</u>	<u>4,840,993</u>	<u>322,472,552</u>
Less accumulated depreciation:				
Buildings and improvements	12,657,205	389,790	5,950	13,041,045
Infrastructure	161,706,201	7,881,493	2,819,059	166,768,635
Machinery and equipment	29,732,060	3,743,306	1,903,485	31,571,881
Furniture and office equipment	<u>2,119,379</u>	<u>202,388</u>	<u>8,894</u>	<u>2,312,873</u>
Total accumulated depreciation	<u>206,214,845</u>	<u>12,216,977</u>	<u>4,737,388</u>	<u>213,694,434</u>
Total cost, net	<u>\$127,012,151</u>	<u>\$ 4,593,984</u>	<u>\$ 838,947</u>	<u>\$130,767,188</u>

Depreciation expense was charged to the Town's functions and programs as follows:

General government support	\$ 1,317,311
Public safety	618,037
Transportation	8,172,593
Culture and recreation	1,022,164
Home and community services	<u>1,086,872</u>
Total depreciation expense	<u>\$ 12,216,977</u>

The Town evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2019, the Town has not recorded any such impairment losses.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### Plan Description

The Town of Smithtown participates in the New York State and Local Employees' Retirement system (ERS) which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the system is held in the New York State Common retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018 he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town of Smithtown also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/underpublications](http://www.osc.state.ny.us/retire/underpublications), financial reports or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244

##### Funding Policy

The Systems are non-contributory 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 service. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership.

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>
2019	\$ 4,761,401
2018	\$ 4,774,422
2017	\$ 4,844,570

The ERS contributions were equal to 100% of the actuarially required contribution for each respective fiscal year

The current ERS contribution for the Town was charged to various departments within the funds identified below.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### New York State Employee Retirement System

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Town reported a liability of \$8,061,901 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 0.1137834 percent, which was a decrease from its proportion measured December 31, 2018 of 0.1142758 percent.

##### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2019, the Town recognized pension expense of \$5,497,782 related to the NYS Retirement System. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 1,587,557	\$ 541,180
Changes of Assumptions	2,026,432	-
Net difference between projected and actual earnings on pension plan investments	-	2,069,129
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	627,055	97,219
Contributions subsequent to the measurement date	3,571,051	-
Total	<u>\$ 7,812,095</u>	<u>\$ 2,707,528</u>

\$3,571,051 was reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ending March 31,	2020	1,854,050
	2021	(1,439,657)
	2022	(25,603)
	2023	1,144,726
	2024	-
	Thereafter	-
		<u>\$ 1,533,516</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Pension Plans

##### New York State Employee Retirement System (Continued)

##### Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation	2.50%
Salary scale	4.2% in ERS, indexed by service
Investment Rate of Return, including inflation	7.0% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

##### **Long-term Expected Rate of Return**

<u>Asset Type</u>	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds & Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed Bonds	4%	1.25%
	<u>100%</u>	

##### Discount Rate

The discount rate used to calculate the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**C. Pension Plans (Continued)**

New York State Employee Retirement System (Continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease <u>(6%)</u>	Assumption <u>(7%)</u>	1% Increase <u>(8%)</u>
Proportionate Share of Net Pension liability	\$ 35,247,919	\$ 8,061,901	\$ (14,776,282)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2019, were as follows:

	<u>Pension Plan's Fiduciary Net Position</u>
Total pension liability	\$ 189,803,429,000
Net position	(182,718,124,000)
Net pension liability (asset)	<u>\$ 7,085,305,000</u>
Fiduciary net position as a percentage of total pension liability	96.27%

**D. Long-Term Liabilities**

General Obligation Bonds - General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the Town. General obligation bonds require the Town to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. 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.

The long-term liabilities, which are backed by the full faith and credit of the Town, bear interest at various rates from 2.00% to 3.25% and have maturity dates from 2020 through 2039.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

The following table summarizes changes in the Town's long-term indebtedness for the year ended December 31, 2019:

	Beginning 1/1/2019	Issued	Redeemed	Balance 12/31/2019
Governmental activities				
Capital Project Fund:				
Major Funds:				
General	\$ 10,894,446	\$ 5,822,460	\$ 1,427,394	\$ 15,289,512
Highway	4,889,459	1,827,000	381,863	6,334,596
Refuse and Garbage	1,614,893	730,800	130,917	2,214,776
Nonmajor Funds:				
Town Outside Village	987,375	304,500	116,375	1,175,500
Paul J. Fitzpatrick Country Club	144,275	-	18,100	126,175
Street Lighting Districts	3,275,182	-	241,918	3,033,264
Water Districts	648,750	507,500	52,813	1,103,437
Total governmental activity	<u>\$ 22,454,380</u>	<u>\$ 9,192,260</u>	<u>\$ 2,369,380</u>	<u>\$ 29,277,260</u>

#### Bonds Payable

Bonds payable at December 31, 2019 are comprised of the following individual issues:

Bond Issue	Original	Issued	Maturity	Interest Rate	Balance
General Obligation Serial Bonds - 2010	\$ 3,456,000	2010	2024	2.500%-3.250%	\$ 2,020,000
General Obligation Serial Bonds - 2011	2,275,000	2011	2026	3.250%	360,000
General Obligation Serial Bonds - 2013	6,742,200	2013	2022	3.000%-3.250%	3,105,000
General Obligation Serial Bonds - 2015	5,770,710	2015	2030	2.000%-2.500%	4,075,000
General Obligation Serial Bonds - 2016	5,365,000	2016	2037	2.000%-2.500%	3,840,000
General Obligation Serial Bonds - 2017	4,086,390	2017	2032	2.000%-2.375%	3,535,000
General Obligation Serial Bonds - 2018	3,544,380	2018	2033	3.000%	3,150,000
General Obligation Serial Bonds - 2019	9,192,260	2019	2039	3.000%	9,192,260
					<u>\$ 29,277,260</u>

Interest at December 31, 2019 was as follows:

Interest paid - long-term debt	\$ 799,068
Less: Interest accrued in the prior year	(169,720)
Amortization on bond premiums	(36,008)
Plus: Interest accrued in the current year	<u>232,642</u>
Total expense	<u>\$ 825,982</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

##### Payments to Maturity

The annual requirements to amortize all bonded debt outstanding as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending December 31,</u>			
2020	\$ 2,742,260	\$ 889,200	\$ 3,631,460
2021	3,045,000	699,319	3,744,319
2022	2,550,000	620,431	3,170,431
2023	2,530,000	552,831	3,082,831
2024	2,345,000	488,681	2,833,681
2025-2029	10,960,000	1,535,144	12,495,144
2030-2034	4,695,000	348,563	5,043,563
2035-2039	<u>410,000</u>	<u>31,200</u>	<u>441,200</u>
Totals	<u>\$ 29,277,260</u>	<u>\$ 5,165,369</u>	<u>\$ 34,442,629</u>

##### Capital Leases

In January 2015, the Town entered into a master lease-purchase agreement to finance the acquisition of various equipment. The amount financed was \$1,705,000 and is to be repaid over seven years through January 2022 with annual payments totaling \$261,099, including annual interest rate of 1.768%. Beginning principal in 2019 was \$999,816. After the 2019 principal payment of \$258,904, the ending principal was \$740,912 at December 31, 2019.

In January 2016, the Town entered into a Fleet Management Master Equity Lease Agreement with Enterprise Fleet Management Inc. At December 31, 2019, the principal amount outstanding was \$2,372,446. The interest rates for the vehicles vary based on the rate at the time of acquisition and range from 4.37% to 5.41%.

In 2019, the Town entered into two Highway Equipment Leases. One is for \$246,248 and another for \$420,416. Interest rates are 3.644% and 3.211% respectively. They both have a term of 5 years and end in the year 2024.

Future principal and interest payments for the Town under these capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year Ending December 31,</u>			
2020	\$ 1,143,982	\$ 224,144	\$ 1,368,126
2021	1,094,022	203,578	1,297,600
2022	874,953	145,373	1,020,326
2023	458,033	94,473	552,506
2024	<u>209,031</u>	<u>21,807</u>	<u>230,838</u>
Totals	<u>\$ 3,780,021</u>	<u>\$ 689,375</u>	<u>\$ 4,469,396</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

Equipment under these capital leases have been reported in the capital assets at December 31, 2019 as follows:

	<u>Asset Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Machinery and equipment	\$ 5,753,959	\$ 3,118,326	\$ 2,635,633
Furniture and office equipment	<u>6,504</u>	<u>4,553</u>	<u>1,951</u>
	<u>\$ 5,760,463</u>	<u>\$ 3,122,879</u>	<u>\$ 2,637,584</u>

#### Other Long-Term Liabilities

Other long-term liabilities for compensated absences, postemployment benefits healthcare costs, and net pension liability - proportionate share are to be paid by the fund that gave rise to the liability. The estimated liabilities for landfill closure and post-closure are paid for from the general fund, while the pollution remediation is paid for from the highway fund. Claims and judgments are being paid from the risk retention reserve which is funded by the operating account based on historical experience.

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 22,454,380	\$ 9,192,260	\$ 2,369,380	\$ 29,277,260	\$ 2,742,260
Plus					
Premiums on issuance	<u>412,479</u>	<u>438,677</u>	<u>36,008</u>	<u>815,148</u>	<u>36,008</u>
	<u>22,866,859</u>	<u>9,630,937</u>	<u>2,405,388</u>	<u>30,092,408</u>	<u>2,778,268</u>
Compensated absences	7,566,837	-	183,496 (A)	7,383,341	797,259
Capital leases	3,414,697	1,334,199	968,875	3,780,021	1,143,982
Claims and judgments	3,463,494	-	1,762,303	1,701,191	125,000
Net pension liability, proportionate share	3,688,188	4,373,713	-	8,061,901 (A)	-
Estimated liability for landfill closure and postclosure care costs	14,129,250	-	18,470	14,110,780	566,126
Pollution remediation obligations	200,000	-	-	200,000	-
Postemployment benefits healthcare costs	<u>248,737,246</u>	<u>9,981,789</u>	<u>-</u>	<u>258,719,035</u>	<u>-</u>
Total other liabilities	<u>281,199,712</u>	<u>15,689,701</u>	<u>2,933,144</u>	<u>293,956,269</u>	<u>2,632,367</u>
Total long-term liabilities	<u>\$304,066,571</u>	<u>\$ 25,320,638</u>	<u>\$ 5,338,532</u>	<u>\$324,048,677</u>	<u>\$ 5,410,635</u>

(A) Additions and deletions to compensated absences and net pension liability are shown net because it is impracticable to determine these amounts separately.

#### Other Post Employment Benefit Obligations Payable

##### Plan Description

The Town, as a single-employer defined benefit, other postemployment benefits (OPEB) plan, per its contract with employees, provides medical and Medicare Part B benefits to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by NYSHIP. The Town will pay 85% to 100% of the full premium costs of the cost for individual coverage and 85% to 100% of the cost of their spouse or dependent coverage during the retiree's lifetime. The Town reimburses 100% of the Medicare Part B premium for the retiree and spouse. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

**D. Long-Term Liabilities (Continued)**

**Other Post Employment Benefit Obligations Payable (Continued)**

Civil Service Employees Association (CSEA) member and exempt employees hired prior to August 28, 2003 require a retirement age of 55, with 10 years of service to receive 100% individual and dependent coverage. Employees hired after August 28, 2003 and before February 28, 2007 require a retirement age of 55, with 15 years of service to receive 100% individual and dependent coverage. Employees hired on or after February 28, 2007 require a retirement age of 55, with 15 years of service to receive 90% individual and dependent coverage. These groups must have 5 years of consecutive full-time service immediately prior to retirement.

**Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	344
Active employees	<u>415</u>
Total participants	<u>759</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$258,719,035 was measured as of December 31, 2019 and was determined by actuarial valuation as of January 1, 2018. The changes in the OPEB liability are as follows:

Balance at December 31, 2018, as restated	<u>\$248,737,246</u>
Changes for the Year	
Service cost	6,923,951
Interest	10,054,790
Benefit payments	<u>(6,996,952)</u>
Net changes	<u>9,981,789</u>
Balance at December 31, 2019	<u>\$258,719,035</u>

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

The discount rate was based on the index provided by Bond Buyer 20-bond General Obligation Index based on the 20-year AA municipal bond rate as of January 1, 2018.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-Term Liabilities (Continued)

##### Other Post Employment Benefit Obligations Payable (Continued)

Mortality was based on the SOA RP-2014 total Dataset mortality with Scale MP-2017 (Base Year 2006).

Inflation	9.50%
Payroll Growth	2.00%
Discount Rate	4.10%
Healthcare Cost Trend Rates	9.0% for 2020, decreasing 0.5% annually to an ultimate rate of 5.0% by 2028.
Cost Method	Entry Age Normal Cost
Participation Rate	100% of active employees covered under the active plan will enroll in the retiree plan
Mortality	Future mortality improvements were projected using the Society of Actuaries RP-2014 Total Dataset Mortality with Scale MP-2017

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

The following presents the OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease <u>(3.10%)</u>	Current Discount <u>(4.10%)</u>	1% Increase <u>(5.10%)</u>
Total OPEB Liability	<u>\$273,272,384</u>	<u>\$258,719,035</u>	<u>\$247,201,838</u>

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

The following presents the OPEB liability of the Town, as well as what the Town's total OPEB liability would be if were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Healthcare		
	1% Decrease <u>(1.75-8.50%)</u>	Current Discount <u>(2.75-9.50%)</u>	1% Increase <u>(3.75-10.50%)</u>
Total OPEB Liability	<u>\$206,049,715</u>	<u>\$258,719,035</u>	<u>\$315,502,885</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Liabilities (Continued)

Other Post Employment Benefit Obligations Payable (Continued)

**OPEB Expense and Deferred Outflow of Resources Related to OPEB**

For the year ended December 31, 2019, the Town recognized OPEB expense of \$23,314,477. At December 31, 2019, the Town reported deferred outflows of resources related to OPEB as follows:

	Deferred Outflows of <u>Resources</u>
Actual vs. expected	\$ 249,284
Changes in assumption	<u>22,622,723</u>
Total	<u><u>\$ 22,872,007</u></u>

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

<u>Fiscal Year Ending December</u>	<u>Amount</u>
2020	6,335,736
2021	6,335,736
2022	6,335,736
2023	3,864,799
Thereafter	<u>-</u>
	<u><u>\$22,872,007</u></u>

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

**E. Interfund Receivables, Payables and Transfers**

**Interfund Receivables and Payables**

At December 31, 2019, individual fund interfund receivable and payable balances are generally expected to be paid currently. These balances represent various temporary loans, recharges, and/or reimbursements between funds and are stated as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 1,063,604	\$ 91
Highway Fund	227,106	108,963
Refuse and Garbage Fund	4,688	-
Capital Projects Fund	648,562	1,028,594
Nonmajor Funds:		
Town Outside Village	94,646	11,104
Special Grants	-	41,457
Special Revenue	4,713	-
Street Lighting Districts	300	-
Ambulance	1,073	-
Paul J. Fitzpatrick Country Club	1,122	-
Water Districts	<u>12,956</u>	<u>12,558</u>
 Total government activities	 <u>2,058,770</u>	 <u>1,202,767</u>
 Agency fund	 <u>91</u>	 <u>856,094</u>
 Total	 <u>\$ 2,058,861</u>	 <u>\$ 2,058,861</u>

The interfund transfers reflected below have been reflected as transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 69,316	\$ 868,947
Highway Fund	476,965	4,395,000
Refuse and Garbage Fund	29,929	-
Capital Projects Fund	5,594,536	137,909
Nonmajor Funds:		
Town Outside Village	114	330,589
Special Grants	-	-
Special Revenue	-	450,000
Street Lighting Districts	6,572	-
Paul J. Fitzpatrick Country Club	394	-
Water Districts	<u>4,619</u>	<u>-</u>
 Total government activities	 <u>\$ 6,182,445</u>	 <u>\$ 6,182,445</u>

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Interfund Receivables, Payables and Transfers (Continued)

##### Interfund Transfers (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due and 2) to move amounts earmarked in the operating funds to fulfill commitments for Capital Projects Fund expenditures.

#### F. Fund Balances

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	Refuse and Garbage Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Nonspendable:						
Permanent fund	\$ -	\$ -	\$ -	\$ -	\$ 306,344	\$ 306,344
Inventory	-	745,872	-	-	-	745,872
Prepays	1,186,212	668,054	148,776	-	325,949	2,328,991
Total Nonspendable	1,186,212	1,413,926	148,776	-	632,293	3,381,207
Restricted:						
Debt service	69,238	193,213	363,975	-	13,148	639,574
Purchases on order and/or contractual obligations	-	-	5,830	1,353,294	39,207	1,398,331
Special revenue funds	-	-	2,170,181	-	2,524,912	4,695,093
Park and land deposits	21,162	-	-	-	-	21,162
Capital reserves	4,143,801	-	-	6,489,472	-	10,633,273
Other reserves	306,115	-	-	-	7,208	313,323
Total Restricted	4,540,316	193,213	2,539,986	7,842,766	2,584,475	17,700,756
Assigned:						
Subsequent year's budget	-	-	-	-	660,000	660,000
Capital projects	-	-	-	3,170,047	-	3,170,047
Purchases on order and/or contractual obligations	235,065	289,489	-	453,571	65,764	1,043,889
Special revenue funds	-	3,687,740	-	-	4,441,764	8,129,504
Other assignments	168,972	-	-	-	221,676	390,648
Total Assigned	404,037	3,977,229	-	3,623,618	5,389,204	13,394,088
Unassigned						
General Fund	15,527,240	-	-	-	-	15,527,240
Total Unassigned	15,527,240	-	-	-	-	15,527,240
Total fund balances	\$ 21,657,805	\$ 5,584,368	\$ 2,688,762	\$ 11,466,384	\$ 8,605,972	\$ 50,003,291

#### 4. COMMITMENTS AND CONTINGENCIES

##### A. RISK RETENTION

In common with other municipalities, the Town receives numerous notices of claims. Although the eventual outcome of these claims cannot be determined, the Town has estimated unsettled claims and litigation to be \$1,701,191. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position. The Town carries liability insurance coverage as follows:

##### **Property**

The Town carries insurance for property protection in excess of a \$100,000 deductible. The policy covers forty-nine (49) locations, for blanket building and contents of \$35,063,815 excluding windstorm and hail damage. EDP Included under contents limit. The policy also excludes new "frame" buildings in the course of construction. Auto Physical damage coverage covers up to \$19,362,318, various boats, \$1,002,913/\$10,000 deductible.

##### **General and Auto Liability/Cyber Liability**

The Town carries insurance for general and auto liability protection of \$1,000,000 per occurrence and \$2,000,000 in the aggregate in excess of self-insurance retention of \$1,500,000. The town also carries excess general, auto and public officials' insurance of \$9,000,000 per occurrence. Cyber liability \$1,000,000/\$10,000 deductible.

##### **General and Auto Liability/Cyber Liability (Continued)**

The Town carries an umbrella policy of \$10,000,000 over and above general liability, auto liability and public officials' coverage. The public official's coverage is for \$1,000,000 with deductibles of \$250,000 for each wrongful act \$100,000 for each employment practices violation.

The Town carries a crime policy for various incidents of theft, forgery and counterfeiting with deductibles up to \$10,000 and Employee Dishonesty coverage up to \$2,000,000 per occurrence.

##### **Other**

The Town carries boiler and machinery coverage with a \$100,000 deductible and a damage limit of \$25,000,000.

Scheduled Equipment - \$2,012,350 (\$25,000 Deductible)

Unscheduled Equipment - \$1,374,266 (\$25,000 Deductible)

The Town has equipment and electronic data processing coverage (EDP). Equipment has a \$25,000 deductible. There is total limit of \$3,009,856 for scheduled and unscheduled equipment with a maximum of \$750,000 for any one item. EDP hardware and software have coverage of \$750,000 and \$100,000, respectively, with a \$5,000 deductible. In addition, the Town carries coverage for contractor's equipment up to a limit of \$3,000,000, with a maximum of \$750,000 for any one item subject to a \$25,000 deductible.

The Town has pollution and storage tank insurance, that covers the Long Beach Marina in Smithtown, with a \$10,000 deductible and \$1,000,000 for each pollution incident and in the aggregate.

#### 4. COMMITMENTS AND CONTINGENCIES (Continued)

##### A. RISK RETENTION (Continued)

###### Workers' Compensation, General Liability and Unemployment Self-Insurance

The Town estimates its workers' compensation and general liability reserves by consulting with legal counsel, contracted third party administrators and assessing past experience with similar claims. The Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town is self-insured for workers' compensation claims insurance prior to June 1, 2006. Subsequent to that date, the Town became a member of the New York State Municipal Workers' Compensation Alliance Plan, which insures for workers compensation and employee liability payments. Estimated benefits to be paid are appropriated in the various operating funds of the Town that have payroll. The Town is also self-insured for unemployment benefits paid from the funds that have payroll.

The schedule below presents the changes in claim liabilities for the past two years for general liability and workers' compensation.

	General Liability		Workers' Compensation	
	2019	2018	2019	2018
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 3,217,611	\$ 4,052,667	\$ 245,883	\$ 297,892
Incurring claims and claim adjustment expenditures:				
Provision for the insured events of the current year and increases (decreases) in provisions for insured events of prior years	(1,320,263)	824,000	-	-
Payments:				
Claims and claim adjustment expenditures attributable to insured events of the current and prior years	429,848	1,659,056	12,192	52,009
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,467,500</u>	<u>\$ 3,217,611</u>	<u>\$ 233,691</u>	<u>\$ 245,883</u>

##### B. LITIGATION

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

#### **4. COMMITMENTS AND CONTINGENCIES (Continued)**

##### **C. TAX CERTIORARIS**

At December 31, 2019, there were numerous taxpayers' claims pending for the redetermination of assessed valuations (certiorari proceedings) for assessment through 2019. In essence, petitioners complain that their assessed valuations are improper in that they represent overvaluations and unequal treatment. Under the Suffolk County Tax Act, any adjustments to petitioners' assessments for prior years are paid by Suffolk County in subsequent years, through an adjustment of Suffolk County's tax rate for Town residents in these subsequent years. Reductions in petitioner's assessments will reduce the available property base upon which future tax levies are made.

In the opinion of the Town Attorney, amounts payable, if any, resulting from the settlement of the contingencies described above, will not materially affect the Town's financial position.

##### **D. LANDFILL CLOSURE AND POST CLOSURE CARE COST**

State and Federal laws and Regulations required that the Town place a final cover on its landfill sites when they stopped accepting waste, and to perform certain maintenance and monitoring functions at those sites for thirty years after closure. Cells 1-5 landfill sites stopped accepting waste as of November 10, 1990, and Cell 6 stopped accepting waste as of December 31, 1997. In September 2010 the capping of Cell 6 was completed and accepted by the New York State Department of Environmental Conservation certification.

As the liability is based on 100% capacity there are no estimated costs for closure and postclosure remaining to be recognized. The Town reports a portion of these closure and postclosure care costs as a liability in each period based on landfill capacity used as of each balance sheet date. Postclosure care costs and monitoring activities for Cells 1-5 and Cell 6 were estimated to be approximately \$566,000 per year for 2019. Actual costs for Cells 1-5 and Cell 6 were \$95,014 and \$369,318 respectively, for the year ended December 31, 2019. The remaining postclosure costs for Cells 1-5 and Cell 6 approximates \$2,197,000 and \$11,913,780 respectively. The estimated remaining life of the landfill is expected to expire in 2048.

Accordingly, as of December 31, 2019, the Town has recorded an estimated liability of \$14,110,780 in the government-wide financial statements, which represents the provision to be made in future budgets for unfunded postclosure care costs and monitoring activities. Actual costs for postclosure monitoring and maintenance are recorded in the General fund and may be higher or lower due to inflation, changes in technology or changes in regulation, applicable laws or condition on the ground.

##### **E. POLLUTION REMEDIATION OBLIGATIONS**

During 2018, the Town received a deferred consent order penalty from the NYS DEC that a penalty amounting to approximately \$450,000 could be assessed to the Town unless the Town undertook remediation of accumulated debris at the Montclair Avenue Yard. An engineer was engaged by the Town to estimate the amount of material that needed to be removed and transported to an appropriate landfill. It was estimated that there was 37,000 tons of material to be excavated. Under an inter-municipal agreement with the Town of Brookhaven, the material consisting primarily of construction debris would be transported to the Brookhaven Landfill and charged \$26.00 per ton for disposal. Accordingly, as of December 31, 2018, the Town incurred an expenditure amounting to \$906,000 in the Highway Fund. An additional amount of \$54,795 was spent in 2019 in fees for excavation of material. The Town estimates a remaining balance of \$200,000 that will be recorded in the government-wide financial statements.

#### **4. COMMITMENTS AND CONTINGENCES (Continued)**

##### **F. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS**

Capital project encumbrances, commitments for equipment purchases, and other capital acquisition commitments amount to \$1,806,865 at December 31, 2019.

##### **G. MUNICIPAL COOPERATION AGREEMENTS**

In December 1989, the Town entered into a Municipal Cooperation Agreement with the Town of Huntington in order to address the municipal solid waste disposal concerns of both Towns. The Agreement provided for the use of the Town of Smithtown landfill by the Town of Huntington during the construction of a Waste of Energy (Resource Recovery) Facility in the Town of Huntington which would be shared by both towns. The Agreement calls for the Town of Huntington to pay certain continuing costs for the Town of Smithtown landfill based upon the relative percentages of waste contributed by each town when filling the landfill. The Town of Huntington pays 52.44% of these continuing landfill costs while the Town of Smithtown is responsible for 47.56%. The agreement further provides that the two towns pay for the ongoing costs of the successor Waste to Energy (Resource Recovery) Facility based upon the relative populations of the two towns that send waste to the facility. This population percentage is calculated on a five-year rolling average based upon US Bureau of Census data. For 2019, the Town of Smithtown pays 37.5% of the Waste to Energy (Resource Recovery) facility expense while the Town of Huntington is responsible for 62.5%.

The Town of Huntington and the Town jointly established a length of service award program defined benefit (LOSAP) plan for the active ambulance workers of Commack Volunteer Ambulance Corps. The program took effect on January 1, 2002. The Town of Huntington is a one hundred percent sponsor of the plan. The Town remits an annual payment, to the Town of Huntington, for the reimbursement of 64.3% of the actuarially determined LOSAP program and administrative costs.

In addition, the Town is party to a number of Intermunicipal Agreements as follows:

Annual agreements with the Village of the Branch for repair and maintenance of Village Streets, and installation of traffic signs and application of pavement markings on Village streets.

Annual agreement with the Village of Head of the Harbor for the repair and maintenance of Village streets, and the installation of traffic signs and the application of pavement markings on Village streets. A 3-year agreement expiring December 31, 2016 with 3-one-year renewals for the use of Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations.

Agreements with the Villages of the Branch, Nissequogue and Head of the Harbor for shared use of a vacuum truck starting in 2018 and expiring in 3 years (with possible extensions for 3 one-year terms for Nissequogue and Head of the Harbor).

Agreements with the Villages of the Branch, Head of the Harbor and Nissequogue for the Town to provide solid waste disposal services to all non-residential parcels effective March 1, 2018 to continue for a term of 20 years.

Agreements with the Villages of Head of the Harbor, Nesconset and Branch and the St. James and Nesconset Fire Districts for shared record management services to be provided by the Town starting in 2018 and are expiring in 3 years with a 3-year extension.

#### 4. COMMITMENTS AND CONTINGENCES (Continued)

##### G. MUNICIPAL COOPERATION AGREEMENTS (Continued)

Annual agreements with the Incorporated Village of Nissequogue for snow and ice removal and for the repair and maintenance of Village streets, the installation of traffic signs and the application of pavement markings on Village streets. Also, for the use of Town Fire Marshals and/or other qualified personnel to make inspections and enforce violations, the use of the Town's emergency vehicle traffic signal preemption equipment, and the use of the Edward Mankuski Fire Training Center.

- The Towns of Brookhaven, Huntington and Smithtown for disposal of Huntington Resource Recovery Facility acceptable ash residue at the Brookhaven Landfill agreement expired December 31, 2019. This agreement has been replaced with a new agreement that expires December 31, 2024 between the Towns of Huntington and Smithtown, and Covanta Huntington in which Covanta Huntington has assumed the responsibility for ash disposal until the end of the agreement.
- An agreement with the Town of Brookhaven to accept demolition debris and street sweepings, at the Brookhaven Landfill expired December 31, 2019 was renewed for one year. Also, an agreement was entered into for the Town of Brookhaven to accept roadway construction and demolition debris potentially mixed with street sweepings at the Brookhaven Landfill starting May 1, 2018 and is expiring April 30, 2021.
- Annual agreements with Kings Park Central School District to utilize the Town's non-residential Solid Waste Disposal Capacity Generation Fee System and for Town Highway Department to perform road maintenance work, snow removal and supply materials at School Facilities.
- Annual agreements with the Nesconset, Nissequogue and St. James Fire Districts providing dispatch services by the Town.
- Agreement with the following entities to utilize fuel pumps at Town-Owned filling stations for their authorized vehicles and equipment as follows:
  - Village of Head of the Harbor
  - Kings Park Central School District
  - Nesconset Fire Department
  - Smithtown Central School District
  - St. James Fire District
  - Village of Nissequogue
  - Village of the Branch
  - Smithtown Library
- Agreements are for 5 years beginning at various times in 2017. In 2018, new agreements were entered into by all but the Kings Park Central School District and the Smithtown Library. There is no expiration date on the new agreements.
- Agreement with the Towns of Brookhaven and Southold and the Villages of Asharoken and Lloyd Harbor for acceptance of their recyclable materials delivered to the Smithtown MSF commencing November 20, 2018 expired November 30, 2019. The Town of Southold and Villages of Lloyd Harbor and Asharoken contracts are renewable every six months for five terms.

#### **4. COMMITMENTS AND CONTINGENCES (Continued)**

##### **G. MUNICIPAL COOPERATION AGREEMENTS (Continued)**

State of New York for snow and ice removal and mitigation on certain State roads located within the Town.

- An annual agreement with the Incorporated Village of Lloyd Harbor to deliver e-waste to the Town expiring December 31, 2019 with two possible one-year extensions.
- Annual agreements with Commack Fire District, Hauppauge Fire District, Kings Park Fire District, Nesconset Fire District, St. James Fire District and Smithtown Fire District for the use of the Edward Mankuski Fire Training Center.
- County of Suffolk to make certain capital improvements to Harned Road to strengthen and improve County roads, including drainage improvements, curb and sidewalk installation and resurfacing and for the Town to be responsible for the related repairs and maintenance of certain portions of Harned Road. Term of agreement is 10 years, expiring in 2026.
- Annual agreements with Smithtown Central School District to have Town Highway Department perform road maintenance work, snow removal and supply materials at School Facilities.
- Annual agreements with the Nesconset Fire District, Kings Park Fire District, St. James Fire District, Smithtown Fire District, Central Islip/Hauppauge Ambulance, Inc. and Commack Volunteer Ambulance Corps. for the use of the Town's emergency vehicle traffic signal pre-emption equipment.

##### **H. RESOURCE RECOVERY FACILITY**

In 1989, the Town entered into an agreement with the Town of Huntington to construct a resource recovery facility. The facility was financed with \$176,550,000 of bonds issued by the Environmental Facilities Corporation. These bonds were refunded on July 29, 1999 by the issuance of \$136,045,000 of Suffolk County Industrial Development Agency bonds. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges were \$7,198,129 for 2019, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

##### **I. GRANTS**

The Town has received grants in excess of \$3,500,000 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 disallowances, if any, will be immaterial.

**4. COMMITMENTS AND CONTINGENCES (Continued)**

**J. LEASE COMMITMENTS AND LEASED ASSETS**

The Town leases various buildings and land to various parties under operating lease agreements with terms ranging from one year to fifteen years. The leases generally require the lessees to pay repairs and maintenance and utilities. Future minimum rental income under existing operating leases at December 31, 2019 are as follows:

Fiscal Year Ending December 31,

2020	\$	665,569
2021		607,991
2022		543,090
2023		387,084
2024		335,694
2025-2028		<u>271,359</u>
Totals	\$	<u>2,810,787</u>

The Town leases office equipment under non-cancelable leases that commenced between April 2016 and December 2019 and expire between January 2020 and June 2022. Total rental expenditures on such leases for the year ended December 31, 2019 totaled \$61,469. The minimum future non-cancelable operating lease payments are as follows:

Fiscal Year Ending December 31,

2020	\$	52,378
2021		21,435
2022		<u>6,074</u>
Totals	\$	<u>79,887</u>

**K. PERMANENT FUND**

The Town established the Nissequogue River Improvement Trust Fund (NRITF) upon acceptance of a donation from PMV Smithtown Associates in the amount of \$125,000 and the adoption of a Town Board Resolution (TBR) on August 26, 1997. This was a private donation for the express purpose of assisting in the protection and improvement of the Nissequogue River. The guidelines provided that the original amount is invested in secured or guaranteed instruments as per the Town's investment policy and all interest and income derived to be either reinvested as additional un-expendable principal or used for defined purposes. There was a second donation of \$66,000 from P. J. Venture accepted by TBR on July 10, 2001. There have also been a number of small donations and income from the sale of recyclable inkjet cartridges deposited in the NRITF. The funds are invested as unexpendable principal and income from those investments can either be invested as additional principal or used for defined purposes.

#### **4. COMMITMENTS AND CONTINGENCIES (Continued)**

##### **K. PERMANENT FUND (Continued)**

The purpose, as defined in the NRITF administrative guidelines, for which the income can be used include but are not limited to fish stock enhancement, wildlife habitat improvement, public assess improvements, drainage and erosion control projects designed to improve river water quality, and the acquisition of interest up to and including fee simple interest in lands necessary for the maintenance or improvement of environmental quality of the Nissequogue River. Expenditure of funds can only occur upon the joint approval of the Environmental Protection Director and the Conservation board of the Town. It is understood and acceptable for the income from the NRITF to be accumulated over a number of years to allow for the funding of projects larger than would otherwise be possible. Upon the absence of direction to the contrary, the Comptroller is required to automatically reinvest income as unexpendable principal. There have been no authorized expenditures from the NRITF. The amount of total fund balance recorded as nonspendable and total fund balance restricted as nonspendable at December 31, 2019 amount to \$306,344 including \$3,543 in 2019 interest earnings.

##### **L. SERVICE CONCESSION ARRANGEMENTS**

In 2002, the Town entered into an agreement with Lessing's Inc. for the exclusive right to operate, manage and assume responsibility for all restaurants, banquet catering, snack bars, cafeterias, liquor bars, refreshment stand, candy stand, vending machines and other such food facilities at the Smithtown Landing Country Club for the next ten years and with provision for a five-year extension. In 2017, the Town extended the agreement for a second term of five years, ending on December 31, 2022. Lessing's Inc. will pay the Town an annual license fee with an annual increase of \$2,000 each year. The value of these payments is estimated to be \$429,000 for the remaining period ending December 31, 2022, without further extension. The Town reports the Smithtown Landing Country Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2019, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$429,000, of which \$141,000 will be received in 2020.)

In 1994, the Town entered into an agreement with Michael Hebron for the professional management and operation of the Town of Smithtown Golf Course. This contract was extended in 2000 for a fifteen {15} year period ending December 31, 2014 and further extended in 2008 to cover years 2015 through 2019. There was an additional amendment on December 13, 2011 regarding capital improvement funding and fee payments. There was also an additional amendment in March 2015 which decreased the annual payments to \$200,000 for the years 2013 through 2019 and removed the capital improvement funding. In 2018, another amendment was issued that extends the agreement through 2024. In addition to the management and operation of the golf course, the agreement covers operation and maintenance of the Pro Shop, providing professional golf lessons and maintaining gas powered and hand carts. Michael Hebron will pay the Town an annual license fee with an annual increase of \$2,000 each year. The value of these payments is estimated to be \$715,000 for the remaining period ending December 31, 2024, without further extension. The Town reports the Smithtown Golf Course Club as a capital asset and adds improvements over the course of the licensing agreement as they are made. At December 31, 2019, the Town reports a receivable and a deferred inflow of resources in the government-wide statements in the amount of \$715,000, of which \$139,000 will be received in 2020.

At December 31, 2019, the value of the two Service Concession Arrangements combined is \$1,144,000 of which \$280,000 is current.

## **5. PROPERTY TAX ABATEMENT**

The Town is subject to real property tax abatements granted by the Suffolk County Industrial Development Agency (“SCIDA”), an entity created as a New York State public benefit corporation. The SCIDA was established by Code Section 922, which became Chapter 674 of the Laws of 1975. The SCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and industry base to prevent unemployment and promote economic development. At December 31, 2019, only the real property tax abatement program offered by SCIDA impacts the Town’s revenues. Generally, a qualified project is an applicant submitted project which meets certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of SCIDA issued bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction which the SCIDA has determined to undertake pursuant to a lease policy. The SCIDA, based on the agreement and as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. The SCIDA is authorized to enter into PILOT agreements per Real Property Tax Law, Section 412-a and General Municipal Law, Section 874. During the year ended December 31, 2019, the agreements the SCIDA approved resulted in an abatement of \$1,289,900 of the Town’s real property taxes and the receipt of \$898,744 in PILOT payments.

## **6. SUBSEQUENT EVENTS**

In March 2020, the Town issued \$10,037,090 of 2020 public improvement serial bonds for various capital projects. The bonds mature in February 2040 and bear an interest rate of 2%. The premium on the bonds was \$283,031 resulting in an effective net interest rate of 1.68%.

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The President of the United States declared a national emergency on March 13, 2020. The Governor of New York State signed an Executive Order on March 20, 2020 placing certain restrictions upon residents and businesses. The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Town and its future results and financial position is not presently determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Real property taxes	\$ 25,280,351	\$ 25,280,351	\$ 25,280,351	\$ -	\$ -
Other tax items	537,407	676,639	663,488	-	(13,151)
Nonproperty tax items	2,824,800	2,824,800	2,804,631	-	(20,169)
Departmental income	10,391,150	10,439,881	10,654,366	-	214,485
Intergovernmental charges	629,000	638,100	628,036	-	(10,064)
Use of money and property	449,974	449,974	819,471	-	369,497
Licenses and permits	137,900	137,900	130,214	-	(7,686)
Fines and forfeitures	231,505	321,505	445,252	-	123,747
Sale of property and compensation for loss	50,200	181,714	163,279	-	(18,435)
Interfund revenues	-	-	54,127	-	54,127
State aid	6,062,275	6,068,274	5,846,239	-	(222,035)
Federal aid	513,697	513,697	385,400	-	(128,297)
Miscellaneous - Including debt reserve	15,300	17,300	44,816	-	27,516
<b>Total revenues</b>	<b>47,123,559</b>	<b>47,550,135</b>	<b>47,919,670</b>	<b>-</b>	<b>369,535</b>
<b>EXPENDITURES:</b>					
General governmental support	14,532,093	13,999,167	13,830,242	187,128	(18,203)
Public safety	3,851,141	3,989,024	3,498,045	13,514	477,465
Health	1,000,755	990,812	933,500	-	57,312
Transportation	1,187,472	1,280,824	1,145,073	4,314	131,437
Economic opportunity and development	2,000	2,000	220	-	1,780
Culture and recreation	7,611,476	7,867,026	7,648,464	11,907	206,655
Home and community services	5,464,901	5,559,463	5,442,442	18,202	98,819
Employee Benefits	12,507,350	12,516,081	12,516,081	-	-
Debt service - principal	1,433,409	1,919,692	1,919,692	-	-
Debt service - interest	315,278	430,079	430,078	-	1
<b>Total expenditures</b>	<b>47,905,875</b>	<b>48,554,168</b>	<b>47,363,837</b>	<b>235,065</b>	<b>955,266</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(782,316)</b>	<b>(1,004,033)</b>	<b>555,833</b>	<b>(235,065)</b>	<b>1,324,801</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	20,186	69,316	-	49,130
Transfers out	-	(878,947)	(868,947)	-	10,000
Premiums on debt issuance	-	-	277,862	-	277,862
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(858,761)</b>	<b>(521,769)</b>	<b>-</b>	<b>336,992</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(782,316)</b>	<b>(1,862,794)</b>	<b>34,064</b>	<b>(235,065)</b>	<b>1,661,793</b>
FUND BALANCE - beginning of year			21,623,741		
FUND BALANCE - end of year			<u>\$ 21,657,805</u>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - HIGHWAY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Highway Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Real property taxes	\$ 23,923,575	\$ 23,923,575	\$ 23,923,575	\$ -	\$ -
Other tax items	365,305	365,305	365,039	-	(266)
Intergovernmental charges	-	19,803	35,220	-	15,417
Use of money and property	65,000	65,000	219,268	-	154,268
Licenses and permits	50,000	50,000	192,733	-	142,733
Sale of property and compensation for loss	50,000	183,022	185,125	-	2,103
Interfund revenue	2,028,104	2,096,831	2,082,297	-	(14,534)
State aid	1,335,328	1,339,666	1,170,532	-	(169,134)
Miscellaneous	-	-	553	-	553
<b>Total revenues</b>	<b>27,817,312</b>	<b>28,043,202</b>	<b>28,174,342</b>	<b>-</b>	<b>131,140</b>
<b>EXPENDITURES:</b>					
Transportation	15,042,941	15,576,693	14,610,299	289,489	676,905
Employee benefits	7,837,220	7,877,290	7,857,589	-	19,701
Debt service - principal	528,911	690,351	690,350	-	1
Debt service - interest	138,091	178,456	178,455	-	1
<b>Total expenditures</b>	<b>23,547,163</b>	<b>24,322,790</b>	<b>23,336,693</b>	<b>289,489</b>	<b>696,608</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,270,149</b>	<b>3,720,412</b>	<b>4,837,649</b>	<b>(289,489)</b>	<b>827,748</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	450,000	476,965	-	26,965
Transfers out	(4,395,000)	(4,395,000)	(4,395,000)	-	-
Premiums on debt issuance	-	-	87,189	-	87,189
<b>Total other financing sources and uses</b>	<b>(4,395,000)</b>	<b>(3,945,000)</b>	<b>(3,830,846)</b>	<b>-</b>	<b>114,154</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(124,851)</b>	<b>(224,588)</b>	<b>1,006,803</b>	<b>(289,489)</b>	<b>941,902</b>
<b>FUND BALANCE - beginning of year</b>			<b>4,577,565</b>		
<b>FUND BALANCE - end of year</b>			<b>\$ 5,584,368</b>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - REFUSE AND GARBAGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Refuse and Garbage Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbrances	
<b>REVENUES:</b>					
Departmental income	\$ 15,002,258	\$ 15,002,258	\$ 15,019,498	\$ -	\$ 17,240
Intergovernmental charges	546,286	648,232	1,091,240	-	443,008
Use of money and property	28,104	28,104	119,973	-	91,869
Fines and forfeitures	20,000	20,000	38,333	-	18,333
Sale of property and compensation for loss	180,000	251,746	484,105	-	232,359
Interfund revenues	-	3,943	3,943	-	-
State aid	45,000	45,000	90,572	-	45,572
<b>Total revenues</b>	<b>15,821,648</b>	<b>15,999,283</b>	<b>16,847,664</b>	<b>-</b>	<b>848,381</b>
<b>EXPENDITURES:</b>					
Home and community services	14,858,518	15,043,920	15,028,183	5,830	9,907
Employee benefits	1,788,692	1,808,655	1,808,655	-	-
Debt service - principal	221,278	221,278	221,277	-	1
Debt service - interest	49,126	49,126	49,126	-	-
<b>Total expenditures</b>	<b>16,917,614</b>	<b>17,122,979</b>	<b>17,107,241</b>	<b>5,830</b>	<b>9,908</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,095,966)</b>	<b>(1,123,696)</b>	<b>(259,577)</b>	<b>(5,830)</b>	<b>858,289</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	29,929	-	29,929
Transfers out	-	-	-	-	-
Premiums on debt issuance	-	-	34,876	-	34,876
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>64,805</b>	<b>-</b>	<b>64,805</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(1,095,966)</b>	<b>(1,123,696)</b>	<b>(194,772)</b>	<b>(5,830)</b>	<b>923,094</b>
<b>FUND BALANCE - beginning of year</b>			<b>2,883,534</b>		
<b>FUND BALANCE - end of year</b>			<b>\$ 2,688,762</b>		

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Last Ten Fiscal Years *	Last Ten Fiscal Years *
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 6,923,951	\$ 8,073,512
Interest	10,054,790	9,080,053
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	-	(29,010,649)
Benefit payments	<u>(6,996,952)</u>	<u>(6,721,373)</u>
Total change in total OPEB liability	9,981,789	(18,578,457)
OPEB Plan Fiduciary Position	-	-
Total OPEB liability - beginning	<u>248,737,246</u>	<u>267,315,703</u>
Total OPEB liability - ending	<u>\$ 258,719,035</u>	<u>\$ 248,737,246</u>
Covered payroll	\$ 34,969,865	\$ 34,284,181
Total OPEB liability as a percentage of covered-payroll	739.83%	725.52%
Notes to schedule:	<u>2019</u>	<u>2018</u>
Discount rate	4.10%	3.44%
Healthcare trend rate:		
Initial rate	9.50%	9.25%
Decreasing per year	0.50%	0.50%
Ultimate rate	5.00%	5.00%
Ultimate rate year	2028	2026

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable

- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.

- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	<b>Last 10 Fiscal Years*</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability (asset)	0.113783%	0.114276%	0.114353%	0.118408%	0.119748%	11.974830%
Proportionate share of the net pension liability (asset)	\$ 8,061,901	\$ 3,688,188	\$ 10,744,827	\$ 19,004,764	\$ 4,045,391	\$ 5,411,259
Covered payroll	\$ 33,326,979	\$ 32,944,369	\$ 32,443,248	\$ 31,658,188	\$ 32,227,296	\$ 32,498,633
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.19%	11.20%	33.12%	60.03%	12.55%	16.65%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**TOWN OF SMITHTOWN, NEW YORK**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 4,761,401	\$ 4,774,422	\$ 4,844,570	\$ 4,930,204	\$ 5,520,698	\$ 6,228,840	\$ 6,577,816	\$ 5,452,428	\$ 4,227,579	\$ 3,024,895
Contributions in relation to the contractually required contribution	<u>4,761,401</u>	<u>4,774,422</u>	<u>4,844,570</u>	<u>4,930,204</u>	<u>5,520,698</u>	<u>6,228,840</u>	<u>6,577,816</u>	<u>5,452,428</u>	<u>4,227,579</u>	<u>3,024,895</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 33,326,979	\$ 33,379,436	\$ 32,802,922	\$ 32,200,243	\$ 33,273,118	\$ 32,514,803	\$ 31,848,580	\$ 31,870,671	\$ 30,729,230	\$ 30,318,846
Contributions as a percentage of covered payroll	14.29%	14.30%	14.77%	15.31%	16.59%	19.16%	20.65%	17.11%	13.76%	9.98%

**SUPPLEMENTARY INFORMATION**

**TOWN OF SMITHTOWN, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2019
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequoque River Improvement Permanent Fund	
Cash and Cash equivalents	\$ 3,035,678	\$ 45,435	\$ 1,819,808	\$ 568,276	\$ 574,011	\$ 432,295	\$ 1,654,348	\$ -	\$ 8,129,851
Cash - restricted	-	7,208	-	-	-	-	-	306,344	313,552
Accounts receivable	1,022	-	10,951	5,075	91,348	12,082	660,959	-	781,437
Due from other funds	94,646	-	4,713	300	1,073	1,122	12,956	-	114,810
Due from other governments	37,946	36,456	42,082	-	-	-	-	-	116,484
Prepays	235,779	-	-	37,482	-	4,022	48,666	-	325,949
<b>Total assets</b>	<b>3,405,071</b>	<b>89,099</b>	<b>1,877,554</b>	<b>611,133</b>	<b>666,432</b>	<b>449,521</b>	<b>2,376,929</b>	<b>306,344</b>	<b>9,782,083</b>
<b>LIABILITIES:</b>									
Accounts payable and accrued liabilities	258,106	11,284	290,612	77,021	254,196	14,294	176,329	-	1,081,842
Due to other funds	11,104	41,457	-	-	-	-	12,558	-	65,119
Unearned revenue	-	29,150	-	-	-	-	-	-	29,150
<b>Total liabilities</b>	<b>269,210</b>	<b>81,891</b>	<b>290,612</b>	<b>77,021</b>	<b>254,196</b>	<b>14,294</b>	<b>188,887</b>	<b>-</b>	<b>1,176,111</b>
<b>FUND BALANCES:</b>									
Nonspendable	235,779	-	-	37,482	-	4,022	48,666	306,344	632,293
Restricted	114	7,208	-	6,572	-	431,205	2,139,376	-	2,584,475
Assigned	2,899,968	-	1,586,942	490,058	412,236	-	-	-	5,389,204
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>3,135,861</b>	<b>7,208</b>	<b>1,586,942</b>	<b>534,112</b>	<b>412,236</b>	<b>435,227</b>	<b>2,188,042</b>	<b>306,344</b>	<b>8,605,972</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,405,071</b>	<b>\$ 89,099</b>	<b>\$ 1,877,554</b>	<b>\$ 611,133</b>	<b>\$ 666,432</b>	<b>\$ 449,521</b>	<b>\$ 2,376,929</b>	<b>\$ 306,344</b>	<b>\$ 9,782,083</b>

The accompanying notes are an integral part of this supplementary information.

**TOWN OF SMITHTOWN, NEW YORK**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds						Permanent Fund		Total Nonmajor Governmental Funds 2019
	Town Outside Village	Special Grants	Special Revenues	Street Lighting Districts	Ambulance Districts	Paul J. Fitzpatrick Country Club	Water Districts	Nissequogue River Improvement Permanent Fund	
<b>REVENUES:</b>									
Real property taxes	5,195,830	\$ -	\$ -	\$ 1,607,150	\$ 1,011,223	\$ -	\$ 16,000	\$ -	\$ 7,830,203
Other tax items	80,648	-	-	23,178	66,623	-	-	-	170,449
Departmental income	700,221	-	-	-	1,106,675	443,229	4,294,072	-	6,544,197
Intergovernmental charges	50,509	-	-	-	-	-	-	-	50,509
Use of money and property	62,570	630	83,037	18,430	10,045	5,153	17,935	3,543	201,343
Licenses and permits	2,047,430	-	-	-	-	41,525	-	-	2,088,955
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Sale of property and compensation for loss	5,963	-	-	9,247	-	-	25,234	-	40,444
Interfund revenue	10,325	-	-	-	-	-	-	-	10,325
State aid	320,524	-	-	-	-	-	-	-	320,524
Federal aid	-	198,180	-	-	-	-	-	-	198,180
Miscellaneous	1,501	-	1,065,804	-	-	-	38,813	-	1,106,118
<b>Total revenues</b>	<b>8,475,521</b>	<b>198,810</b>	<b>1,148,841</b>	<b>1,658,005</b>	<b>2,194,566</b>	<b>489,907</b>	<b>4,392,054</b>	<b>3,543</b>	<b>18,561,247</b>
<b>EXPENDITURES:</b>									
General governmental support	196,344	-	45,151	-	-	-	29,211	-	270,706
Public safety	3,240,498	-	-	-	-	-	-	-	3,240,498
Health	-	-	-	-	2,067,876	-	-	-	2,067,876
Transportation	-	-	-	1,090,593	-	-	-	-	1,090,593
Economic opportunity and development	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	429,390	-	-	429,390
Home and community services	1,712,256	198,726	-	-	-	-	3,709,244	-	5,620,226
Employee benefits	2,559,765	-	273,826	430,567	-	25,797	548,536	-	3,838,491
Debt service - principal	163,369	-	-	241,918	-	18,100	83,550	-	506,937
Debt service - interest	39,413	-	-	73,646	-	3,274	25,076	-	141,409
<b>Total expenditures</b>	<b>7,911,645</b>	<b>198,726</b>	<b>318,977</b>	<b>1,836,724</b>	<b>2,067,876</b>	<b>476,561</b>	<b>4,395,617</b>	<b>-</b>	<b>17,206,126</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>563,876</b>	<b>84</b>	<b>829,864</b>	<b>(178,719)</b>	<b>126,690</b>	<b>13,346</b>	<b>(3,563)</b>	<b>3,543</b>	<b>1,355,121</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in	114	-	-	6,572	-	394	4,619	-	11,699
Transfers out	(330,589)	-	(450,000)	-	-	-	-	-	(780,589)
Premiums on debt issuance	14,531	-	-	-	-	-	24,219	-	38,750
<b>Total other financing sources and uses</b>	<b>(315,944)</b>	<b>-</b>	<b>(450,000)</b>	<b>6,572</b>	<b>-</b>	<b>394</b>	<b>28,838</b>	<b>-</b>	<b>(730,140)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>247,932</b>	<b>84</b>	<b>379,864</b>	<b>(172,147)</b>	<b>126,690</b>	<b>13,740</b>	<b>25,275</b>	<b>3,543</b>	<b>624,981</b>
<b>FUND BALANCE - beginning of year</b>	<b>2,887,929</b>	<b>7,124</b>	<b>1,207,078</b>	<b>706,259</b>	<b>285,546</b>	<b>421,487</b>	<b>2,162,767</b>	<b>302,801</b>	<b>7,980,991</b>
<b>FUND BALANCE - end of year</b>	<b>3,135,861</b>	<b>\$ 7,208</b>	<b>\$ 1,586,942</b>	<b>\$ 534,112</b>	<b>\$ 412,236</b>	<b>\$ 435,227</b>	<b>\$ 2,188,042</b>	<b>\$ 306,344</b>	<b>\$ 8,605,972</b>

The accompanying notes are an integral part of this supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

July 30, 2020

To the Honorable Supervisor and Town Board of the  
Town of Smithtown, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Smithtown (the Town), New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 30, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

Hawkins Delafield & Wood LLP  
7 World Trade Center  
250 Greenwich Street  
New York, New York 10007

March 30, 2021

The Town Board of the  
Town of Smithtown, in the  
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Smithtown (the “Town”), in the County of Suffolk, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$6,844,670 Public Improvement Serial Bonds-2021 (the “Bonds”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Town will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that the Town will comply with the provisions and procedures set forth therein and that the Town will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the Town with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in said Bonds.

Very truly yours,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE**

## UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

### Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **Town of Smithtown**, in the County of Suffolk, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of March 18, 2021.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$6,844,670 Public Improvement Serial Bonds-2021**, dated March 30, 2021, maturing in various principal amounts on February 15 in each of the years 2022 to 2036, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York, to the EMMA System:

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2021, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2021, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to

the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17 (a)(2) of the Securities Act of 1933; and

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or

government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings "THE TOWN," "DEMOGRAPHIC AND STATISTICAL INFORMATION," "INDEBTEDNESS OF THE TOWN," "FINANCIAL MATTERS," "REAL PROPERTY TAX INFORMATION" AND "LITIGATION" AND APPENDIX A.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of March 30, 2021.

TOWN OF SMITHTOWN

By \_\_\_\_\_  
Supervisor and Chief Fiscal Officer