

**TOWN OF SOUTHOLD**

**AUDIT REPORTS**

Year Ended December 31, 2015

**FINANCIAL  
SECTION**

**FINANCIAL SECTION**

Independent Auditors' Report.....	1-3
-----------------------------------	-----

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis.....	4-15
---	------

**BASIC FINANCIAL STATEMENTS**

Government-Wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities .....	17
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18-19
Statement of Revenues, Expenditures, and Changes in Fund Balances and Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	20-21
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities.....	22
Notes to Financial Statements .....	23-53

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
General Fund.....	54
Highway Fund.....	55
Community Preservation Fund.....	56
Postemployment Benefits Healthcare Costs – Schedule of Funding Progress.....	57
Schedule of Contributions.....	58
Schedule of Proportionate Share of the Net Pension Liability.....	59

**OTHER SUPPLEMENTARY INFORMATION**

Combining Fund Statements:	
Non-major Governmental Funds	
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	61



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Southold, New York ("Town"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of two of the seven component units, Fishers Island Ferry District and Fishers Island Waste Management District, which represent 75.2%, 71.3%, and 73.5%, respectively, of the assets and deferred outflows of resources, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those two component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Fisher's Island Waste Management District were not audited in accordance with *Government Auditing Standards*.

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

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

**PERSONAL SERVICE. TRUSTED ADVICE.**

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

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

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

## **Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units**

The financial statements of the five component units, Cutchogue-New Suffolk Park District, Southold Park District, Orient-East Marion Park District, Mattituck Park District and Orient Mosquito District have not been audited, and we were not engaged to audit these financial statements as part of our audit of the Town of Southold, New York's basic financial statements. These financial activities are included in the Town's basic financial statements as discretely presented component units and represent 24.8%, 28.7%, and 26.5%, respectively, of the assets, net position, and revenues of the Town's aggregate discretely presented component units.

### **Qualified Opinion**

In our opinion, based on the reports of other auditors, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Town of Southold, New York, as of December 31, 2015, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified 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 of Southold, New York as of December 31, 2015, 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.

### **Emphasis of Matter**

As described in Note A.7 and C.5 to the basic financial statements, the Town adopted new accounting guidance, Governmental Accounting Standard Board Statements ("GASB") No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment to GASB 68*. Accordingly, the unrestricted net position as of January 1, 2015 has been restated. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment benefits healthcare costs – schedule of funding progress, schedule of contributions, schedule of proportionate share of the net pension liability and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Matters** (continued)

*Other Information*

The combining nonmajor fund financial statements are the responsibility of management and were derived from and related 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 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, based on our audit, the procedures performed as described above, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Alhecht, Viggiano, Zur & Camp, P.C.*

Hauppauge, New York  
September 9, 2016

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

**TOWN OF SOUTHOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

As management of the Town of Southold, New York (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2015.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the Town exceed its liabilities and deferred inflows at the close of 2015 by \$100,563,600 (net position).
- The Town's governmental net position increased by \$2,547,858.
- As of the close of 2015, the Town's governmental funds reported combined ending fund balances of \$24,045,004. Of this amount, \$1,356,797 is not in spendable form or is required to remain intact. The remaining of \$22,688,207 or approximately 94% of total fund balance is in spendable form with various levels of spending constraint: restricted, assigned, or unassigned making them available for spending at the Town's discretion (See Note B.2.)
- At the end of 2015, the Town's total fund balance for the general fund was \$8,111,954, a decrease of \$601,502 or 6.90% from the prior year. The assigned and unassigned fund balance for the general fund was \$7,069,204 or 25.08% of total general fund expenditures and other uses.
- The Town's total bonded debt was \$32,392,000, excluding premiums of \$978,944, is a decrease of 8.1% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise these components: 1) government-wide financial statements, 2) fund financial statements 3) fiduciary fund financial statements and 4) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

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

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

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

The Town's government-wide financial statements include both the governmental activities of the Town itself (known as the primary government) and of its legally separate component units for which the Town is financially accountable. Financial information for all component units is reported separately (discretely presented) from the financial information presented for the primary government.

**TOWN OF SOUTHOLD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2015

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

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

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

*Component Units* - Component units are legally separate organizations for which the Town is either financially accountable, or the nature and significance of their relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. All of these entities are reported in a separate column in the government-wide statements as discretely presented.

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

**Fund Financial Statements**

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

Governmental Funds

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

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

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

The Town adopts an annual appropriated budget for its general and special revenue funds, except for the capital projects fund, debt service fund and special grant fund. A budgetary comparison schedule for the general fund, highway fund, and community preservation fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

Fiduciary Funds

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

**TOWN OF SOUTHDOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

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

**Notes to the financial statements**

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

**Other information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$100,563,600 at the close of the most recent year.

Condensed Statement of Net Position  
Primary Governmental Activities  
December 31,

	2015	2014
<b>Assets</b>		
Current and other assets	\$ 42,069,399	\$ 35,435,506
Capital assets	157,683,190	155,619,414
<b>Total Assets</b>	<b>199,752,589</b>	<b>191,054,920</b>
Deferred Outflows of Resources	4,004,203	-0-
<b>Liabilities</b>		
Current and other liabilities	13,452,758	8,353,746
Long-term liabilities	82,281,997	77,792,656
<b>Total Liabilities</b>	<b>95,734,755</b>	<b>86,146,402</b>
Deferred Inflows of Resources	7,458,437	6,721,115
<b>Net Position</b>		
Net Investment in Capital Assets	122,029,919	119,161,711
Restricted	14,797,002	11,632,416
Unrestricted	(36,263,321)	(32,606,724)
<b>Total Net Position</b>	<b>\$ 100,563,600</b>	<b>\$ 98,187,403</b>

Total assets and deferred outflows of the primary government as of December 31, 2015 were \$203,756,792, an increase of \$12,701,872 from December 31, 2014. Total liabilities and deferred inflows as of December 31, 2015 were \$103,193,192, which represents an increase of \$10,325,675 from December 31, 2014. This resulted in a net position of \$100,563,600 an increase of \$2,376,197 from December 31, 2014 which includes a prior period adjustment of \$171,661 due to the implementation of GASB Statement No.68. Of the Town's net position, \$122,029,919 was invested in capital assets and \$14,797,002 was restricted for future land acquisition and capital projects leaving a \$36,263,321 unrestricted deficit.

By far, the largest portion of the Town's net position \$122,029,919 reflects its investment in capital assets (i.e. land, buildings, machinery and equipment, intangibles, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

**TOWN OF SOUTHD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

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

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

Changes in Net Position  
Primary Governmental Activities  
For the years ended December 31,

	2015	2014
Program Revenues		
Charges for services	\$ 3,679,608	\$ 4,452,922
Operating grants and contributions	955,209	1,036,106
Capital grants and contributions	621,103	4,813,959
	5,255,920	10,302,987
General Revenues		
Real property taxes	31,169,581	31,419,818
Other real property tax items	89,453	98,810
Non-property tax items	8,108,492	7,558,659
Interest earnings	111,187	76,504
State aid - unrestricted	1,305,490	1,177,660
Other	345,375	682,053
	41,129,578	41,013,504
Total Revenues	46,385,498	51,316,491
Program Expenses		
General government support	10,292,144	10,338,569
Public safety	17,653,201	18,828,553
Public health	40,964	33,300
Transportation	7,199,866	7,218,831
Economic assistance and opportunity	2,082,286	2,169,613
Culture and recreation	430,223	509,010
Home and community services	4,691,736	8,663,270
Interest on debt	1,447,220	1,375,997
	43,837,640	49,137,143
Total Expenses	43,837,640	49,137,143
Increase in Net Position	2,547,858	2,179,348
Net Position, beginning of year, as reported	98,187,403	96,008,055
Cumulative effect of change in accounting principle*	(171,661)	-0-
Net position, beginning of year, as restated	98,015,742	96,008,055
Net position, end of year	\$ 100,563,600	\$ 98,187,403

\*The Town's financial statements presented herein are for the year ended December 31, 2015 and the cumulative effect of applying GASB Statement No. 68, "Accounting and Reporting for Pensions" and GASB Statement No. 71, "Pension Transition Guidance for Contributions Made Subsequent to the Measurement Date" is shown as an adjustment to the beginning net position for fiscal year 2015. Accordingly, the condensed financial information presented above also reflects this cumulative effect of the accounting change to beginning net position of fiscal year 2015. The condensed financial information for the year ended December 31, 2014 was not restated as the information was not available.

**TOWN OF SOUTHDOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

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

Net position, from all government activities, increased by \$2,547,858 in the current year.

Key elements of the governmental activities are:

- Overall program revenues decreased by \$5,047,067 from the prior year. Capital grants decreased by \$4,192,856 which is primarily related to federal aid received to fund land acquisitions in the prior year of \$2,491,750. In addition in the prior year, the Town received \$1,768,972 in federal funding for the Dike Repair Project. In addition, charges for services decreased \$773,314 as a result of the decrease commercial municipal solid waste fees due to a decrease in volume from the opening of a private facility within the Town which has offered other options for waste dumping.
- General revenues remained relatively consistent with the prior year.
- Overall expenses decreased by \$5,299,503. Public safety expenditures decreased \$1,175,352 as a result of the decrease in employee benefits being allocated to this function due to the decrease in health benefits expenditures from the termination of the self-funded medical plan. Home and community services expenses decreased \$3,971,534. This was primarily due to the Town receiving federal aid in the prior year for the construction costs for dike repairs. These projects were not completed on Town owned properties and therefore were not capitalized. These expenses amounted to \$1,669,697. In addition, refuse and garbage contractual expenditures have decreased \$647,271 in the current year which correlates to the decrease in program revenues relating to the decrease in disposal fees. The landfill closure liability was reduced by \$427,237 due to the Town being approved by NYSDEC to perform monitoring less frequently.

Total Cost of Services

Net Cost of Services for Governmental Activities

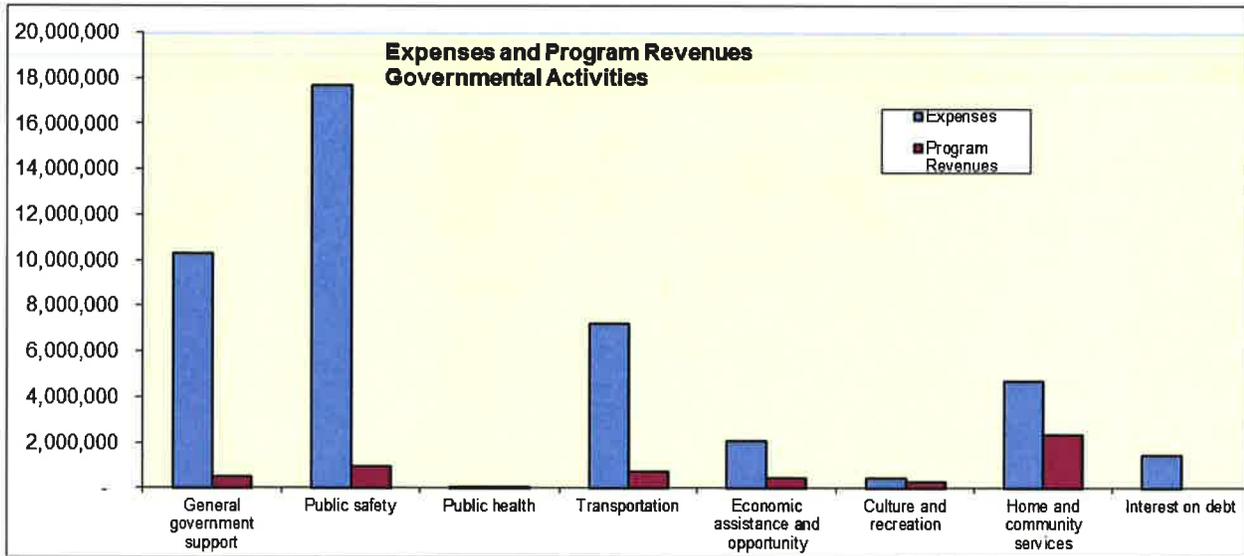
For the years ended December 31,

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
General government support	\$ 10,292,144	\$ 10,338,569	\$ 516,981	\$ 416,920	\$ (9,775,163)	\$ (9,921,649)
Public safety	17,653,201	18,828,553	948,157	881,662	(16,705,044)	(17,946,891)
Public health	40,964	33,300	9,063	9,063	(31,901)	(24,237)
Transportation	7,199,866	7,218,831	738,917	500,809	(6,460,949)	(6,718,022)
Economic assistance and opportunity	2,082,286	2,169,613	427,813	469,217	(1,654,473)	(1,700,396)
Culture and recreation	430,223	509,010	297,838	303,110	(132,385)	(205,900)
Home and community services	4,691,736	8,663,270	2,317,151	7,722,206	(2,374,585)	(941,064)
Interest on debt	1,447,220	1,375,997			(1,447,220)	(1,375,997)
	<u>\$ 43,837,640</u>	<u>\$ 49,137,143</u>	<u>\$ 5,255,920</u>	<u>\$ 10,302,987</u>	<u>\$ (38,581,720)</u>	<u>\$ (38,834,156)</u>

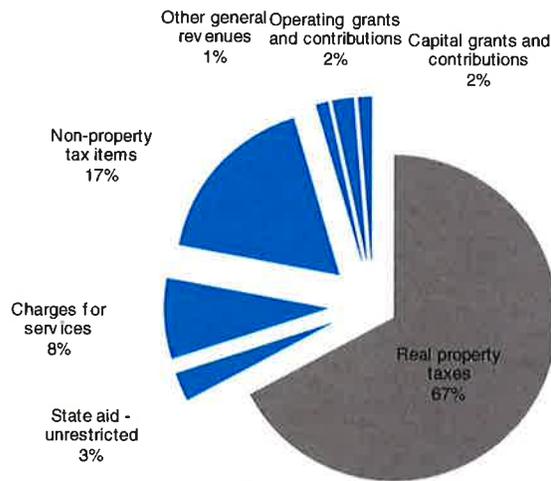
The total cost of all governmental activities this year was \$43,837,640. The net cost of these services after being subsidized by program revenues of \$5,255,920 was \$38,581,720.

**TOWN OF SOUTHOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 December 31, 2015

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



Revenues by Source – Governmental Activities for the Year ended December 31, 2015



**Revenue by Source**  
**Primary Governmental Activities**  
 for the year ended December 31,

	2015	2014
Real property taxes	\$ 31,169,581	\$ 31,419,818
State aid - unrestricted	1,305,490	1,177,660
Charges for services	3,679,608	4,452,922
Non-property tax items	8,108,492	7,558,659
Other general revenues	546,015	857,367
Operating grants and contributions	955,209	1,036,106
Capital grants and contributions	621,103	4,813,959
	<u>\$ 46,385,498</u>	<u>\$ 51,316,491</u>

**TOWN OF SOUTHDOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

**Governmental Funds**

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

- **Nonspendable fund balance** - \$1,356,797 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$14,797,002 (externally enforceable limitations on use) includes amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - \$4,995,104 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making and negative fund balances in funds other than the general fund.
- **Unassigned fund balance** - \$2,896,101 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted and assigned fund balance and negative fund balances in funds other than the general fund.

The following schedule presents a summary of the Governmental Funds – (general, special revenue, and capital projects) revenues and expenditures for the year ended December 31, 2015, and the amount of change and percentage of total in relation to the prior year.

	2015	2014	Increase (Decrease)
<b>REVENUES</b>			
Real property taxes	\$ 31,169,581	\$ 31,419,818	\$ (250,237)
Other real property tax items	89,453	98,810	(9,357)
Non-property tax items	8,108,492	7,558,659	549,833
Departmental income	2,579,435	3,420,405	(840,970)
Intergovernmental charges	202,607	318,300	(115,693)
Use of money and property	278,876	259,523	19,353
Licenses and permits	531,669	501,587	30,082
Fines and forfeitures	285,314	168,973	116,341
Sale of property and compensation for loss	393,128	567,921	(174,793)
Miscellaneous local sources	130,780	242,048	(111,268)
Interfund revenues	30,000	30,000	-0-
State aid	2,332,742	2,453,568	(120,826)
Federal aid	305,013	4,347,817	(4,042,804)
Total Governmental Fund Revenues	<u>\$ 46,437,090</u>	<u>\$ 51,387,429</u>	<u>\$ (4,950,339)</u>
<b>EXPENDITURES</b>			
General government support	\$ 5,987,110	\$ 6,035,878	\$ (48,768)
Public safety	11,197,005	10,686,498	510,507
Public health	40,964	33,300	7,664
Transportation	4,577,664	4,026,295	551,369
Economic assistance and opportunity	1,270,735	1,279,830	(9,095)
Culture and recreation	296,303	299,708	(3,405)
Home and community services	4,898,438	9,753,834	(4,855,396)
Employee benefits	11,341,215	11,796,493	(455,278)
Capital Outlay	2,120,204	3,010,616	(890,412)
Debt service principal and interest	3,734,276	3,792,496	(58,220)
Bond issuance costs	102,900	-0-	102,900
Total Governmental Fund Expenditures	<u>\$ 45,566,814</u>	<u>\$ 50,714,948</u>	<u>\$ (5,148,134)</u>

**TOWN OF SOUTHOLD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2015

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

**Governmental Funds** (continued)

- Although the Town appropriated \$4,596,190 of prior year fund balance to finance the 2015 operations, excluding open purchase orders brought forward, the total fund balance increased \$973,176. Governmental revenues decreased by \$4,950,339. The decrease is due to the following: decreases in real property taxes of \$250,237 and an increase in non-property tax items of \$549,833 which is mainly attributable to an increase in the 2% transfer tax. Decreases in departmental income of \$840,970 are due to the decrease commercial municipal solid waste fees as a result of the decrease in volume due to the opening of a private facility within the Town which has offered other options for waste dumping. In addition, in the prior year, the Town received federal aid of \$4,260,722 which includes \$1,768,972 from the Department of Agriculture for the Dike Repair Project and \$2,491,750 for Farm and Ranchland protection. These grants were not received in the current year.
- Overall, governmental expenditures decreased \$5,148,134. The decrease is due to the following: decreases in home and community expenditures of \$4,855,396 due to significantly less land being purchased with federal aid than the prior year. In addition, there were decreases in employee benefits of \$455,278 due to the Town terminating their self-funded medical plan and participating in the New York State Health Insurance Plan which resulted in cost savings. Decreases in capital outlay of \$890,412 were a result of the Town commencing larger projects in 2014 which included the Dike Repair Project which was funded by federal aid. These decreases were offset by increases of \$510,507 in public safety costs and \$551,369 of transportation costs. The increase in public safety costs is due to purchases of public safety equipment and higher personal service costs. The increase in transportation expenditures of is due to additional highway resurfacing projects needed due to the roadway deterioration from harsh winters. Additionally, the Town received CHIPS funding which provided for other road improvement projects to be completed.

**General Fund**

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance of the general fund was \$8,111,954 decreasing by \$601,502 or 6.9% from the prior year. Of this amount, \$1,042,750 is not in spendable form (i.e. inventory and prepaid items). The remaining \$7,069,204 of the fund balance is in spendable form as follows: \$426,028 is assigned for insurance claims; \$2,000,000 has been assigned by the Town Board for the subsequent year's budget and \$106,249 has been assigned for encumbrances resulting from open purchase orders, and the remaining \$4,536,927 represents spendable, unassigned fund balance.

As a measure of the general funds' liquidity, it may be useful to compare spendable fund balance and total fund balance to total fund expenditures and other financing uses. Spendable and total fund balance represents 25.08% and 28.78%, respectively, of total general fund expenditures and other financing uses.

The key elements of the fund balance decrease of \$601,502 are as follows:

- There was a planned fund balance reduction of \$3,505,000, excluding prior year encumbrances brought forward, a result of appropriations in the current year's budget.
- General government support was \$1,043,473 under budget primarily due to lower than anticipated town board contractual expenditures (\$130,000) due to the Interpretative Signage Project being significantly scaled down, judgment and claims (\$307,000), deferral of a road restoration project (\$208,000), as well as the implementation of cost savings procedures (\$398,000).
- Public safety was \$673,608 less than budgeted by \$477,000 which resulted from the hiring of six new officers later than anticipated (\$275,000) and overtime and holiday pay being lower than expected. Contractual expenditures were less than budgeted by \$132,000 mainly due to gas and oil prices being lower than expected.
- Economic assistance and opportunity was \$226,305 under budget due to Programs for the Aging coming in under budget in personal services by \$169,000 due to employee turnover and planned retirements not executed in the current year. In addition, contractual expenses were under budget by \$53,000 which includes gas and oil, food and vehicle maintenance.
- Employee benefits were \$720,755 under budget due to the Town conservatively budgeting for health insurance premiums and retirement contributions which amounted to approximately \$457,000. In addition, the Town estimates Social Security benefits based on positions to be filled. The hiring in the police department took place later in the year. These costs were approximately \$209,000 under budget.

**TOWN OF SOUTHOLD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2015

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

**Governmental Funds** (continued)

**Highway Fund**

At the end of the current year, the total fund balance of the highway fund was \$646,997 decreasing by \$396,131 or 37.98% from the prior year. Of this amount, \$169,329 is not in spendable form (i.e. prepaid items). The remaining \$477,668 of the fund balance is in spendable form as follows: \$250,440 has been assigned by the Town Board for the subsequent year's budget, \$5,832 has been assigned for encumbrances resulting from open purchase orders, and the remaining \$221,396 is assigned for highway purposes.

The key elements of the fund balance decrease of \$396,131 are as follows:

- There was a planned fund balance reduction of \$460,640 a result of appropriations in the current year's budget.
- Transportation savings of \$341,620 resulted from the \$168,000 in personal services being less than anticipated due to expected retirements and payouts and road end restorations projects being deferred to 2016 for \$146,000.

**Capital Projects Fund**

At the end of the current year, the capital projects fund had a fund deficit of \$1,640,826.

The fund balance decreased in the capital projects fund by \$1,043,140 from the prior year.

- The decrease resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing.

**Community Preservation Fund**

The Community Preservation Fund's total fund balance, which is restricted for land preservation acquisitions, increased by \$3,164,586 to \$14,797,002. The increase in fund balance is attributable to an excess of the 2% transfer tax over land acquisitions and related debt service costs.

**Nonmajor Governmental Funds**

At the end of the current year, the total fund balance of the nonmajor governmental funds was \$2,129,877, decreasing \$150,637 from the prior year. Of this amount \$144,718 is not in spendable form (i.e. prepaids). The remaining \$1,985,159 of the fund balance is in spendable form as follows; \$596,000 for subsequent year's budget, \$2,235 assigned for encumbrances resulting from open purchase orders, and the remaining \$1,386,924 of fund balance is assigned for nonmajor governmental fund purposes.

The key elements of the fund balance decrease of \$150,637 are as follows:

- The Part Town's fund balance was \$1,148,392 which is a decrease of \$189,642 from the prior year.
- Actual revenues exceeded budgeted expectations by \$148,231. Overall, total expenditures were less than anticipated by \$232,525. In addition, the Town appropriated \$570,000 of fund balance from the prior year.
- The Solid Waste Management District's fund balance was \$905,466 at December 31, 2015 which is an increase of \$56,849 from the prior year. Actual revenues were less than anticipated by \$433,896. Overall, total expenditures were less than anticipated by \$543,826. In addition, the Town appropriated \$50,000 of fund balance from the prior year.

**TOWN OF SOUTHDOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS** (continued)

**Governmental Funds** (continued)

**General Fund Budgetary Highlights**

The Town appropriated expenditures in the original general fund budget in excess of estimated revenues in the amounts of \$3,696,455, inclusive of \$191,455 of encumbrances, by assigning fund balance from the prior year. Actual revenues were more than anticipated by \$143,981. Actual expenditures in all budgetary line items were less than the budgetary appropriation by \$2,792,774.

Over the course of the year, the Town Board revises the budget as needed so that expenditures do not exceed appropriations. In all Town funds, various transfers between appropriations were approved for this purpose. The following are the main components of the increase in appropriations:

- Federal aid increased by \$196,746 due to additional grants being received.
- Additional appropriations of \$180,614 in public safety due to the anticipation of retirements within the police force and the related payouts of sick and vacation time relating to those retirements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2015 the primary government had \$157,683,190 in net capital assets including land and land development rights, buildings, improvements, machinery and equipment, and infrastructure. The Town's component units had \$15,632,476 in net capital assets including land, buildings, improvements, machinery and equipment, and infrastructure.

Capital Assets at December 31,

<u>Primary Government</u>	<u>2015</u>	<u>2014</u>
Land	\$ 8,677,637	\$ 7,634,797
Land development rights	117,590,063	116,878,970
Construction in progress	1,381,732	1,107,991
Buildings	13,329,610	13,270,215
Improvements other than buildings	15,849,791	15,765,606
Machinery and equipment	11,767,729	10,993,550
Software	1,119,056	1,109,657
Infrastructure	<u>79,525,483</u>	<u>77,638,597</u>
Total Capital Assets	249,241,101	244,399,383
Less: accumulated depreciation	<u>91,557,911</u>	<u>88,779,969</u>
Primary Government - Total Net Capital Assets	<u>\$ 157,683,190</u>	<u>\$ 155,619,414</u>
<u>Component Units</u>		
Land	\$ 2,103,162	\$ 2,103,162
Buildings	14,145,321	14,145,321
Improvements other than buildings	2,545,238	2,545,238
Machinery and equipment	4,011,124	4,003,629
Infrastructure	<u>4,366,330</u>	<u>4,047,193</u>
Total Capital Assets	27,171,175	26,844,543
Less: accumulated depreciation	<u>11,538,699</u>	<u>10,684,369</u>
Component Units - Total Net Capital Assets	<u>\$ 15,632,476</u>	<u>\$ 16,160,174</u>

In 2015, the Town of Southold's major capital asset acquisitions were as follows:

- Land and land development rights of \$1,753,933
- Construction in progress of \$1,064,818
- Machinery and equipment of \$963,974
- Highway resurfacing and drainage of \$1,038,401

**TOWN OF SOUTHOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

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

**Capital Assets** (continued)

The capital program is a long range financing guide and not a definitive plan. Each appropriation must be authorized by Town Board resolution before being undertaken. Each may be financed by issuance of general obligation bonds, which, at times, are preceded by issuance of bond anticipation notes for various periods of time depending on the probable usefulness of the purpose of expenditure. The Town's three year capital plan is summarized below:

	2016	2017	2018
<u>Machinery and Equipment</u>			
General Fund	\$ 254,922	190,000	62,000
Highway Fund	110,000	-0-	-0-
<u>Building and Improvements</u>			
General Fund	587,328	-0-	-0-
Totals	\$ 952,250	\$ 190,000	\$ 62,000

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

**Long-Term Debt**

At December 31, 2015, the Town had approximately \$33.5 million in long term general obligation bonds outstanding, of which \$32.4 million was for the primary government. Also outstanding at year-end were bond anticipation notes in the amount of \$3.5 million, \$2.8 million which was for the primary government.

During 2015, the Town issued \$7,882,000 in Refunding Serial Bonds with interest rates ranging from 2.0% to 5.0% and annual maturities through March 2030. The refunding was done in order to reduce debt payments in the short-term. The refunding reduced future total debt service payments by \$1,991,536. The overall transaction resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$499,558 for the Town.

	<b>Governmental Activities</b>	
	2015	2014
General obligation bonds payable	\$ 32,392,000	\$ 35,235,000
Bond anticipation notes	2,830,000	2,110,000
	\$ 35,222,000	\$ 37,345,000

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

The Town of Southold's bond credit rating from Moody's Investors Services was Aa1 as of December 31, 2015.

Debt Limit - The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent 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.

**TOWN OF SOUTHOLD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2015

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five. The percentage of debt contracting power exhausted at December 31, 2015 was 5.13%.

Additional information on the Town's debt activity can be found in Note C.4 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Property Tax**

The Town has adopted a budget for the 2016 fiscal year which factors in inflation and other adjustments to revenues and expenditures as well as prior year positive and negative fund balances. The 2016 budget includes an overall increase in real property tax revenues from the prior year of approximately 4.34% for the general Town governmental activities.

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 that affects the Town and its municipal component units. Beginning in 2012, and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or local law. There are permitted exceptions and adjustments. The Town is currently evaluating the effect of the cap on future year's budgets.

**State Aid and Local Assistance**

The Town receives financial assistance from New York State and from Suffolk County. During 2015, financial assistance included state aid consisting of mortgage tax of \$1,306,404, consolidated highway aid of \$562,220, \$49,985 in capital grants and other state aid of approximately \$325,805. State aid per capita was \$88,328 and County local government assistance was \$202,607. Additionally, 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. The Town's 2016 budget included similar amounts for this financial assistance.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL  
STATEMENTS**

**TOWN OF SOUTHOLD**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF NET POSITION**  
December 31, 2015

	Primary Governmental Activities	Nonmajor Component Units
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and investments	\$ 38,117,857	\$ 2,642,578
Accounts receivable	244,059	53,972
State and federal aid receivables	184,909	
Due from other governments	2,165,777	
Due from primary government		529,641
Inventory of material and supplies	1,674	
Prepays	1,355,123	110,065
Total Current Assets	42,069,399	3,336,256
<b>Noncurrent Assets:</b>		
Non-depreciable capital assets	127,649,432	2,103,162
Depreciable capital assets, net of depreciation	30,033,758	13,529,314
Total Noncurrent Assets	157,683,190	15,632,476
<b>Total Assets</b>	199,752,589	18,968,732
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refundings	458,044	
Pensions	3,546,159	148,221
	4,004,203	148,221
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	1,164,198	411,246
Claims and judgments payable	6,198	
Accrued interest payable	385,991	19,794
Bond anticipation notes payable	2,830,000	699,000
Due to component units	529,641	
Due to other governments	5,833,845	
Unearned revenue	105,346	
Noncurrent liabilities due within one year		
General obligation bonds payable	2,430,925	194,000
Compensated absences	150,000	39,835
Estimated liability for landfill closure and postclosure care costs	16,614	
Total Current Liabilities	13,452,758	1,363,875
<b>Noncurrent Liabilities:</b>		
General obligation bonds payable	30,940,019	944,000
Compensated absences	8,774,108	119,505
Claims and judgments payable	426,028	
Estimated liability for landfill closure and postclosure care costs	426,274	
Net pension liability	1,926,748	134,178
Other postemployment benefits payable	39,788,820	323,799
Total Noncurrent Liabilities	82,281,997	1,521,482
<b>Total Liabilities</b>	95,734,755	2,885,357
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue from real property taxes	7,229,204	529,641
Pensions	229,233	2,310
	7,458,437	531,951
<b>NET POSITION</b>		
Net Investment in Capital Assets	122,029,919	13,221,000
Restricted	14,797,002	
Unrestricted	(36,263,321)	2,478,645
<b>Total Net Position</b>	\$ 100,563,600	\$ 15,699,645

See notes to the financial statements.

**TOWN OF SOUTHDOLD**  
**GOVERNMENT-WIDE FINANCIAL STATEMENT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2015

Function/Program	Expenses	Program Revenues			Net Expenses and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
<b>PRIMARY GOVERNMENT</b>						
Government Activities:						
General government support	\$ 10,292,144	\$ 342,674	\$ 124,322	\$ 49,985	\$ (9,775,163)	
Public safety	17,653,201	656,840	291,317		(16,705,044)	
Public health	40,964		9,063		(31,901)	
Transportation	7,199,866	23,691	153,006	562,220	(6,460,949)	
Economic assistance and opportunity	2,082,286	181,040	246,773		(1,654,473)	
Culture and recreation	430,223	297,838			(132,385)	
Home and community services	4,691,736	2,177,525	130,728	8,898	(2,374,585)	
Interest on debt	1,447,220				(1,447,220)	
Total Primary Government	<u>43,837,640</u>	<u>3,679,608</u>	<u>955,209</u>	<u>621,103</u>	<u>(38,581,720)</u>	
<b>COMPONENT UNITS</b>						
General government support	363,446					\$ (363,446)
Public health	84,066					(84,066)
Transportation	3,681,106	2,833,044	1,532	295,755		(550,775)
Culture and recreation	974,383	14,060				(960,323)
Home and community services	763,807	43,559				(720,248)
Interest on debt	56,467					(56,467)
Total Component Units	<u>\$ 5,923,275</u>	<u>\$ 2,890,663</u>	<u>\$ 1,532</u>	<u>\$ 295,755</u>		<u>\$ (2,735,325)</u>
<b>GENERAL REVENUES</b>						
					31,169,581	2,353,909
					89,453	
					8,108,492	
					111,187	4,550
					1,305,490	
					345,375	314,089
					<u>41,129,578</u>	<u>2,672,548</u>
					Change in Net Position	<u>2,547,858</u> <u>(62,777)</u>
					Net Position at Beginning of Year, as reported	98,187,403 15,780,906
					Cumulative Effect of Change in Accounting Principle	<u>(171,661)</u> <u>(18,484)</u>
					Net Position at Beginning of Year, as restated	98,015,742 15,762,422
					Net Position at End of Year	<u>\$ 100,563,600</u> <u>\$ 15,699,645</u>

See notes to financial statements.

**TOWN OF SOUTHDOLD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015**

	MAJOR GOVERNMENTAL FUNDS					Non-Major Governmental Funds	Totals
	General	Highway	Capital Projects	Community Preservation	Debt Service		
<b>ASSETS</b>							
Cash and investments	\$20,496,998	\$ 595,314	\$ 932,450	\$14,148,808		\$ 1,944,287	\$38,117,857
Accounts receivable	2,075	47	121	712		241,104	244,059
Due from other funds	1,167	1,173,898	332,518			819,201	2,326,784
State and federal aid receivable	28,225	36,059	1,166	18,270		101,189	184,909
Due from other governments	1,148,715		34,993	656,106			1,839,814
Inventory of material and supplies	1,674						1,674
Prepays	1,041,076	169,329				144,718	1,355,123
<b>Total Assets</b>	<b>\$22,719,930</b>	<b>\$ 1,974,647</b>	<b>\$ 1,301,248</b>	<b>\$14,823,896</b>	<b>\$ -0-</b>	<b>\$ 3,250,499</b>	<b>\$44,070,220</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	569,094	132,312	110,908	26,894		324,990	1,164,198
Judgments and claims	6,198						6,198
Bond anticipation notes payable			2,830,000				2,830,000
Due to other funds	2,301,996	23,622	1,166				2,326,784
Due to component units	529,641						529,641
Due to other governments	5,833,685	160					5,833,845
Unearned revenue	26,943					78,403	105,346
<b>Total Liabilities</b>	<b>9,267,557</b>	<b>156,094</b>	<b>2,942,074</b>	<b>26,894</b>		<b>403,393</b>	<b>12,796,012</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned revenue from real property taxes	5,340,419	1,171,556				717,229	7,229,204
<b>FUND BALANCE</b>							
Nonspendable	1,042,750	169,329				144,718	1,356,797
Restricted				14,797,002			14,797,002
Assigned	2,532,277	477,668				1,985,159	4,995,104
Unassigned	4,536,927		(1,640,826)				2,896,101
<b>Total Fund Balance (Deficit)</b>	<b>8,111,954</b>	<b>646,997</b>	<b>(1,640,826)</b>	<b>14,797,002</b>		<b>2,129,877</b>	<b>24,045,004</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)</b>	<b>\$22,719,930</b>	<b>\$ 1,974,647</b>	<b>\$ 1,301,248</b>	<b>\$14,823,896</b>	<b>\$ -0-</b>	<b>\$ 3,250,499</b>	<b>\$44,070,220</b>

See notes to the financial statements.

**TOWN OF SOUTHOLD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
December 31, 2015

Total Fund Balances - Governmental Funds \$ 24,045,004

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

Capital assets - non-depreciable	\$ 127,649,432	
Capital assets - depreciable	121,591,669	
Accumulated depreciation	<u>(91,557,911)</u>	157,683,190

Deferred outflows of resources are included in the Statement of Net Position 4,004,203

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

General obligation bonds payable	(33,370,944)	
Compensated absences	(8,924,108)	
Claims and judgments payable	(426,028)	
Estimated liability for landfill closure and postclosure care costs	(442,888)	
Net pension liability	(1,926,748)	
Other postemployment benefits payable	<u>(39,788,820)</u>	(84,879,536)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 325,963

Deferred inflows of resources are included in the Statement of Net Position (229,233)

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. (385,991)

Net Position of Governmental Activities \$ 100,563,600

See notes to financial statements.

**TOWN OF SOUTHOLD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the year Ended December 31, 2015

	MAJOR GOVERNMENTAL FUNDS					Non-Major Governmental Funds	Totals
	General	Highway	Capital Projects	Community Preservation	Debt Service		
<b>REVENUES</b>							
Real property taxes	\$ 23,191,122	\$ 4,641,266				\$ 3,337,193	\$ 31,169,581
Other real property tax items	84,468	4,641				344	89,453
Non-property tax items	1,019,873			\$ 6,464,184		624,435	8,108,492
Departmental income	378,566					2,200,869	2,579,435
Intergovernmental charges and local aid	201,872					735	202,607
Use of money and property	202,337	5,579	\$ 31,081	14,879		25,000	278,876
Licenses and permits	334,392	15,737				181,540	531,669
Fines and forfeitures	285,314						285,314
Sale of property and compensation for loss	149,521	7,954				235,653	393,128
Miscellaneous local sources	44,569	8,500	77,711				130,780
Interfund revenues	30,000						30,000
State aid	1,488,134	644,078	49,985	12,824		137,721	2,332,742
Federal aid	178,359	69,196		4,919		52,539	305,013
<b>Total Revenues</b>	<b>27,588,527</b>	<b>5,396,951</b>	<b>158,777</b>	<b>6,496,806</b>		<b>6,796,029</b>	<b>46,437,090</b>
<b>EXPENDITURES</b>							
Current:							
General government support	5,898,933	7,463				80,714	5,987,110
Public safety	9,843,839					1,353,166	11,197,005
Public health	40,964						40,964
Transportation	496,164	4,081,500					4,577,664
Economic assistance and opportunity	1,270,735						1,270,735
Culture and recreation	296,303						296,303
Home and community services	367,820			987,028		3,543,590	4,898,438
Employee benefits	8,603,849	1,545,987				1,191,379	11,341,215
Capital Outlay			2,120,204				2,120,204
Debt Service:							
Principal	497,200	65,000		1,338,500		524,300	2,425,000
Interest	149,490	29,530		1,006,692		123,564	1,309,276
Bond issuance costs					102,900		102,900
<b>Total Expenditures</b>	<b>27,465,297</b>	<b>5,729,480</b>	<b>2,120,204</b>	<b>3,332,220</b>	<b>102,900</b>	<b>6,816,713</b>	<b>45,566,814</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>123,230</b>	<b>(332,529)</b>	<b>(1,961,427)</b>	<b>3,164,586</b>	<b>(102,900)</b>	<b>(20,684)</b>	<b>870,276</b>
Other Financing Sources (Uses)							
Payments to refunded bond escrow agent					(8,758,044)		(8,758,044)
Refunding bond issues					7,882,000		7,882,000
Premiums on debt issuance					978,944		978,944
Transfers in		66,135	918,287				984,422
Transfers out	(724,732)	(129,737)				(129,953)	(984,422)
<b>Total Other Financing Sources (Uses)</b>	<b>(724,732)</b>	<b>(63,602)</b>	<b>918,287</b>		<b>102,900</b>	<b>(129,953)</b>	<b>102,900</b>
<b>Net Change in Fund Balance</b>	<b>(601,502)</b>	<b>(396,131)</b>	<b>(1,043,140)</b>	<b>3,164,586</b>		<b>(150,637)</b>	<b>973,176</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>8,713,456</b>	<b>1,043,128</b>	<b>(597,686)</b>	<b>11,632,416</b>		<b>2,280,514</b>	<b>23,071,828</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$ 8,111,954</b>	<b>\$ 646,997</b>	<b>\$ (1,640,826)</b>	<b>\$ 14,797,002</b>	<b>\$ -0-</b>	<b>\$ 2,129,877</b>	<b>\$ 24,045,004</b>

See notes to the financial statements.

**TOWN OF SOUTHOLD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

Net Change in Fund Balance \$ 973,176

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

Capital asset additions	\$	5,199,496	
Depreciation expense		(3,104,273)	
Loss on dispositions		(31,447)	
			2,063,776

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (915)

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

Deferred charges on refundings		458,044	
Pension related amounts		2,531,536	
			2,989,580

Net change in deferred inflows of resources related to pensions (229,233)

Premiums on bond issuances recognized in governmental fund statements when issued and capitalized and amortized in the Statement of Activities (978,944)

The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital leases consumes the current financial resources of governmental funds.

Neither transaction has any effect on net position.

Repayment of bond principal		2,425,000	
Due to employees retirement system		66,909	
Payments to refunded bond escrow agent		(7,882,000)	
Refunding bond issues		8,300,000	
Compensated absences		(385,434)	
Claims and judgments payable		(83,338)	
Estimated liability for landfill closure and postclosure care costs		453,042	
Net pension liability		(740,464)	
Other postemployment benefits payable		(4,393,272)	
Accrued interest payable		(30,025)	

Change in Net Position of Governmental Activities \$ 2,547,858

See notes to financial statements.

**TOWN OF SOUTHOLD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
December 31, 2015

	<u>Totals</u>
<b>ASSETS</b>	
Cash and investments	\$ 10,155,168
Other receivables	<u>2,805</u>
Total Assets	<u>\$ 10,157,973</u>
 <b>LIABILITIES</b>	
Due to other governments	\$ 9,534,471
Other liabilities	213,938
Deposits held	<u>409,564</u>
Total Liabilities	<u>\$ 10,157,973</u>

See notes to financial statements.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Southold (the "Town"), which was established in 1640, 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 five council members who are elected for terms of four years. The Town Board appoints the Town Attorney and Town Comptroller. The Town Clerk, Receiver of Taxes, Superintendent of Highways, Justices and Town Trustees are all elected and serve for four years, respectively. 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 financial statements of the Town of Southold have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the government's accounting policies are described below.

**1. REPORTING ENTITY**

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

The decision to include a potential component unit in the Town of Southold reporting entity is based on several criteria including legal standing, dependency and financial accountability. The current guidance also clarifies the status as a major or nonmajor component unit. Based on the application of these criteria, the following is a summary of certain entities considered in determining the Town's reporting entity.

*Discretely Presented Component Units:*

The following entities are discretely presented component units of the Town of Southold:

- a) Fishers Island Ferry District was established in 1947 by a special act of legislation within the State of New York, known as the Ferry District Enabling Act. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of five members, all of whom are elected by the residents of the District. The primary function of the District is to provide ferry operations and services to district residents. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Budgets and tax rates are not approved by the Town. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.
- b) Fishers Island Waste Management District was established in 1952 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of five members, all of whom are elected by the residents of the District. The primary function of the District is to provide waste management and disposal services to district residents. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**1. REPORTING ENTITY** (continued)

*Discretely Presented Component Units (continued):*

- c) Cutchogue-New Suffolk Park District was established in 1953 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District. The primary function of the District is to maintain and operate the specific private beaches of residents who reside within the park district. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.
- d) Southold Park District was established in 1907 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District. The primary function of the District is to maintain and operate the specific private beaches of residents who reside within the park district. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.
- e) Orient-East Marion District was established in 1969 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District. The primary function of the District is to maintain and operate the specific private beaches of residents who reside within the park district. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.
- f) Mattituck Park District was established in 1941 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of three members, all of whom are elected by the residents of the District. The primary function of the District is to maintain and operate the specific private beaches of residents who reside within the park district. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.
- g) Orient Mosquito District was established in 1916 and is governed by the laws of New York State. The Board of Commissioners is the legislative body responsible for the overall operations. The Board of Commissioners consists of five members, all of whom are elected by the residents of the District. The primary function of the District is to provide pest control services to district residents. Special districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town. The Town issues indebtedness on behalf of the District which is responsible for the payment of annual debt service on the obligations. Tax levies of the District are collected by the Town Receiver of Taxes. This district is included in the Town's reporting entity since the primary government issues debt on behalf of the District as these districts cannot issue bonded debt without the approval and the backing of the full faith and credit of the Town.

All of the Town of Southold's discretely presented component units are considered non-major.

**TOWN OF SOUTHOLD**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

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

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

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

The Town reports the following major governmental funds:

General Fund - is the principal operating fund of the Town. This fund is used to account for all financial resources not accounted for and reported in another fund.

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

**TOWN OF SOUTHOLD**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

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

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

**Fund Financial Statements** (continued)

**Governmental Funds** (continued)

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

Community Preservation Fund - is used to account for and report financial resources that are restricted for the purchase of land and land development rights.

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest and for financial resources that are being accumulated for principal and interest in future years.

Additionally, the Town accounts for and reports the following non-major funds:

General Fund Part Town – is used to account for revenues and expenditures for certain services provided by the area of the Town located outside of the Village of Greenport. The major source of revenue is real property taxes and building permits.

Special Grant Fund – is used to account for federal aid for the Community Development Block Grant Program.

Special District Funds – are used to account for taxes or other revenues, which are raised or received to provide special services to areas that encompass less than the whole town. The Special District Funds consist of a number of separate districts, which are administered by the Town Board as follows: East-West Fire Protection District, Southold Wastewater District, Fishers Island Sewer District and Solid Waste Management District.

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

Agency Fund - is used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

**3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days after the year end. In certain circumstances this application of the Town's normal availability period for a given revenue source might distort revenue trends from one year to the next. In such unusual circumstances, revenues may be considered available if received beyond 60 days. However, to the extent the revenue remains uncollected after one year the Town would classify the fund balance as nonspendable.

Revenues susceptible to accrual include Suffolk County local assistance at year end on behalf of the Town, franchise fees, mortgage taxes and certain charges for services and intergovernmental revenues. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred. In the governmental funds, long-term debt is recognized as revenue upon receipt of the proceeds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to due to New York State employees' retirement system, compensated absences, claims and judgments, landfill closure and postclosure care costs, and other postemployment healthcare cost benefits are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources and uses.

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

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

**CASH AND INVESTMENTS**

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

State statutes govern the Town's investment policies. The Town's investments are governed by a formal investment policy. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and investments made by the Cooperative Liquid Asset Security System (CLASS).

Collateral is required for demand deposits and time deposit accounts at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies, obligations of the State and its municipalities, and school districts. The Town's collateral agreements are based on the Town's available balance.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

**RECEIVABLES**

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

**DUE FROM/TO OTHER FUNDS**

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

**INVENTORY AND PREPAID ITEMS**

Inventory is valued at cost and consists of supplies on hand. Inventory in these funds is accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. Prepaids in the general and special revenue funds represent health insurance and retirement benefits that will benefit a future period.

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

**CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value as of 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 and amortization on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10-40 years
Improvements and other	20 years
Machinery and equipment	5-10 years
Software	5-10 years
Infrastructure	20-30 years

Infrastructure assets, consisting of certain improvements other than buildings including roads, curbs, sidewalks, bridges, and street lighting are capitalized along with other capital assets.

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

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

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

**UNEARNED REVENUE**

Unearned revenues, reported as liabilities in the fund and government-wide financial statements, are those which asset recognition criteria have been met, but which revenue recognition criteria have not been met for exchange type transactions. Such amounts include collections in advance for fee income relating to 2016.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until that time. Deferred outflows of resources consist of deferred charges on refundings and pension related amounts. The deferred charges on refundings stem from advanced refunding of debt. The difference between the cost of securities placed in a trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The amounts related to pensions consists of contributions made subsequent to the measurement date, differences between the pension plans projected and actual investment earnings and differences between the pension plans expected and actual experience.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town's deferred inflows of resources consists of the following: unavailable revenue and pension related amounts. The unavailable revenue represents amounts that do not meet the availability criteria applicable to revenue recognition under the modified accrual basis of accounting. Accordingly, the item unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the statement of net position, the Town reports deferred outflows of resources associated with its pension and the amounts are derived from the changes in proportion and differences between the Town's contributions and proportionate share of contributions.

**PREMIUMS OF DEBT ISSUANCE**

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.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, claims and judgments, liability for landfill closure and postclosure costs, net pension liability, other postemployment benefits, and due to employees retirement system are recognized in the statement of net position. Bond premiums or discounts are deferred and amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

**INTERFUND TRANSACTIONS**

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

**a) Interfund Revenues**

In the general fund, interfund revenues, which are quasi-external transactions, represent amounts charged for services or facilities provided by the general fund. The amount paid by the fund receiving the benefit of the service or facilities is reflected as an expenditure of that fund.

**b) Transfers**

Transfers primarily represent payments to the capital projects fund from the other funds for their appropriate share of the capital project costs or related BAN debt service amounts.

**NET POSITION AND FUND EQUITY CLASSIFICATIONS**

In the government-wide statements, equity is classified as net position and displayed in three components:

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are (1) nonspendable, (2) restricted, (3) committed, (4) assigned, or (5) unassigned.

- 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, grantors, contributors, or laws or regulation of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- 3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Town’s highest decision making authority is the Town Board, who by adoption of a Town ordinance prior to year end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Town Board removes or changes the specified use by taking the same type of action imposing the commitment.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

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

- 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.

**NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS**

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

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

**FUND BALANCE POLICIES**

The Town has, by resolution, adopted a fund balance policy that states the Town must maintain a minimum unassigned fund balance in the general fund equal to 10% of general fund expenditures. In the event that the balance drops below the established minimum level, the Town's Board will develop a plan to replenish the fund balance to the established minimum level within the current or ensuing fiscal year.

**5. REVENUES AND EXPENDITURES**

**REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES**

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

The Town of Southold Receiver of Taxes collects all real property taxes for the Town, Suffolk County, Town Special Districts and School Districts. These taxes are levied on December 1, and are due in two installments, 50% on December 1 and 50% on May 10, payable without penalty to January 10 and May 31, respectively. Penalties are imposed thereafter at the rate of one-twelfth of the rate of interest determined by the State Commissioner of Taxation and Finance, after which taxes are payable to the County Treasurer. The Town retains the total amount of Town, Highway and Town Special Districts levies from the amount collected, and forwards the balance collected to the County which assumes collection responsibility. The Town and Town's Special Districts therefore realize annually the 100% collection of real property taxes.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. REVENUES AND EXPENDITURES** (continued)

**OTHER POSTEMPLOYMENT BENEFITS**

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

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year or under the Town of Southhold's self-insurance plan which is further described in Note D.

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

**COMPENSATED ABSENCES**

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends and currently known facts. Compensated absence liabilities and expenses are reported in governmental funds only if they have matured, for example, as a result of employee resignations, terminations, and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditures and a liability in the funds statement in the respective fund that will pay the liability.

**PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New York State and Local Retirement System ("the System") have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms; and reports investments at fair value.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes, 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.

**6. USE OF ESTIMATES**

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

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**7. NEW ACCOUNTING PRINCIPLES**

The Town has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2015, the Town adopted:

Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These Statements establish financial reporting standards for state and local governments which have defined benefit plans and defined contribution pension plans that are administered through trusts or equivalent arrangements. The Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures as related to defined benefit and contribution plans. The implementation of this Statement resulted in reporting a restatement of the Town's net position (see Note G) and required additional note disclosure as well as required supplementary information.

**8. SUBSEQUENT EVENTS**

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

**B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. BUDGETARY INFORMATION**

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Budgets for the general and special revenue funds exclusive of the special grant fund, are legally adopted for 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 unanticipated revenues are received (i.e. specific grant revenues) and exceed budgeted amounts, additional budgetary appropriations may be made. The capital projects and special grant funds are budgeted on a project or grant basis.

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

- a) No later than October 1, the Supervisor submits a tentative budget to the Town Board for the fiscal year commencing the following fiscal year. The tentative budget includes the proposed means of financing for all funds.
- b) After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Town Board adopts the budget.
- c) The Town Board must approve all modifications of the budget. However, the Supervisor is authorized to transfer certain budgeted amounts within departments.
- d) 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. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**2. FUND BALANCE**

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

	General Fund	Highway Fund	Capital Projects Fund	Community Preservation Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 1,674					\$ 1,674
Prepaid items	1,041,076	\$ 169,329			\$ 144,718	1,355,123
Total Nonspendable	1,042,750	169,329	-0-	-0-	144,718	1,356,797
Restricted for:						
Other reserves				\$ 14,797,002		14,797,002
Total Restricted	-0-	-0-	-0-	14,797,002	-0-	14,797,002
Assigned to:						
Subsequent year's budget	2,000,000	250,440			596,000	2,846,440
Purchases on order or contractual obligation	106,249	5,832			2,235	114,316
Special revenue funds		221,396			1,386,924	1,608,320
Judgments and claims	426,028					426,028
Total Assigned	2,532,277	477,668	-0-	-0-	1,985,159	4,995,104
Unassigned, reported in						
General Fund	4,536,927					4,536,927
Capital Projects			(1,640,826)			(1,640,826)
Total Unrestricted	4,536,927	-0-	(1,640,826)	-0-	-0-	2,896,101
Total Fund Balances	\$ 8,111,954	\$ 646,997	\$(1,640,826)	\$ 14,797,002	\$ 2,129,877	\$ 24,045,004

**3. FUND DEFICIT**

The Capital Projects Fund deficit of \$1,640,826 at December 31, 2015 resulted from differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated as short-term debt is redeemed or converted to permanent financing.

**C. DETAILED NOTES ON ALL FUNDS**

**1. CASH AND INVESTMENTS**

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

**TOWN OF SOUTHD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**1. CASH AND INVESTMENTS** (continued)

CLASS is a cooperative investment plan consisting of U.S. Treasury Obligations and repurchase agreements relating to treasury obligations. Investments are stated at cost, which approximates market value. CLASS was established as a cooperative investment arrangement organized under the CLASS Municipal Cooperation Agreement made pursuant to New York General Municipal Law, Article 3A and 5-G.

Collateral is required for demand deposits and certificates of deposit not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

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

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

At December 31, 2015, the Town's cash book balance was approximately \$48,272,402. This amount is inclusive of fiduciary fund deposits of \$10,155,168 but exclusive of petty cash of \$623. The available bank balance was \$48,296,603, exclusive of CLASS deposits. Of the bank balance, \$12,504,809 was covered by Federal deposit insurance, and \$44,926,063 covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name and \$82,438 was uncollateralized. The Town's \$53,814 CLASS investment consists of U.S Treasury Obligations and repurchase agreements relating to Treasury obligations and is not subject to risk categorization.

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

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

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

As of December 31, 2015, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

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

Interfund receivable and payable balances for the primary government at December 31, 2015 are expected to be paid currently. These balances represent various temporary loans, recharges, and reimbursements between funds for operating and capital expenditures and are stated as follows:

	Amount Receivable	Amount Payable
Major Governmental Funds:		
General Fund - Town wide	\$ 1,167	\$ 2,301,996
Highway Fund	1,173,898	23,622
Capital Projects Fund	332,518	1,166
Subtotal	1,507,583	2,326,784
Non-Major Governmental Funds:		
General Fund - Part Town	163,637	
East-West Fire Protection District	167,590	
Southold Wastewater District	70	
Fishers Island Sewer District	9,000	
Solid Waste Management District	478,904	
Subtotal	819,201	-0-
Total	\$ 2,326,784	\$ 2,326,784

Interfund transfer balances for the primary government at December 31, 2015 represent primarily the payment of BAN debt service expenditures and capital project transfers and are stated as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund - Town wide		\$ 724,732
Highway Fund	\$ 66,135	129,737
Capital Projects Fund	918,287	
Subtotal	984,422	854,469
Non-Major Governmental Funds:		
General Fund – Part Town		19,953
Southold Wastewater District		110,000
Subtotal	-0-	129,953
Total	\$ 984,422	\$ 984,422

**TOWN OF SOUTHD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**3. CAPITAL ASSETS**

<b>Primary government</b>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
<b>Capital assets not being depreciated</b>				
Land	\$ 7,634,797	\$ 1,042,840		\$ 8,677,637
Land development rights	116,878,970	711,093		117,590,063
Construction in progress	1,107,991	1,064,818	\$ 791,077	1,381,732
<b>Total capital assets not being depreciated</b>	<b>125,621,758</b>	<b>2,818,751</b>	<b>791,077</b>	<b>127,649,432</b>
<b>Depreciable capital assets</b>				
Buildings	13,270,215	59,395		13,329,610
Improvements other than buildings	15,765,606	84,185		15,849,791
Machinery and equipment	10,993,550	963,974	189,795	11,767,729
Software	1,109,657	177,382	167,983	1,119,056
Infrastructure	77,638,597	1,886,886		79,525,483
<b>Total depreciable capital assets</b>	<b>118,777,625</b>	<b>3,171,822</b>	<b>357,778</b>	<b>121,591,669</b>
<b>Less accumulated depreciation</b>				
Buildings	4,889,618	351,610		5,241,228
Improvements other than buildings	7,052,870	553,317		7,606,187
Machinery and equipment	8,844,722	581,781	326,331	9,100,172
Software	769,277	137,465		906,742
Infrastructure	67,223,482	1,480,100		68,703,582
<b>Total accumulated depreciation</b>	<b>\$ 88,779,969</b>	<b>\$ 3,104,273</b>	<b>\$ 326,331</b>	<b>91,557,911</b>
<b>Total net depreciable capital assets</b>				<b>30,033,758</b>
<b>Total net capital assets</b>				<b>\$ 157,683,190</b>
<b>Depreciation expense was charged to governmental functions as follows:</b>				
General government support				\$ 429,101
Public safety				329,543
Transportation				1,800,844
Economic assistance and opportunity				21,240
Culture and recreation				38,351
Home and community services				485,194
				<b>\$ 3,104,273</b>

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**3. CAPITAL ASSETS (continued)**

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, 2015, the Town has not recorded any such impairment losses.

<b>Nonmajor component units</b>	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets not being depreciated				
Land	\$ 2,193,353		\$ 90,191	\$ 2,103,162
Total capital assets not being depreciated	2,193,353	\$ -0-	90,191	2,103,162
Depreciable capital assets				
Buildings	14,145,321			14,145,321
Improvements other than buildings	2,545,238			2,545,238
Machinery and equipment	4,003,629	7,495		4,011,124
Infrastructure	4,047,193	319,137		4,366,330
Total depreciable capital assets	24,741,381	326,632	-0-	25,068,013
Less accumulated depreciation				
Buildings	4,407,239	451,260		4,858,499
Improvements other than buildings	761,842	97,814		859,656
Machinery and equipment	3,294,913	140,804		3,435,717
Infrastructure	2,220,375	164,452		2,384,827
Total accumulated depreciation	\$10,684,369	\$ 854,330	\$ -0-	11,538,699
Total net depreciable capital assets				13,529,314
Total net capital assets				\$ 15,632,476

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 602,848
Culture and recreation	107,971
Home and community services	143,511
	<u>\$ 854,330</u>

**4. INDEBTEDNESS**

**SHORT TERM DEBT**

**Bond Anticipation Notes (BANs)** – Bond anticipation notes (BANs) are used as a temporary means of financing capital expenditures in the capital projects fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. Liabilities for BANs are generally accounted for in the capital projects fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes. These BANs bear interest at various rates from 1.27% to 1.75% and are due at various dates through 2016.

A summary of changes in BANs for the year ended December 31, 2015 is as follows:

	Balance 1/1/15	Increases	Reductions	Balance 12/31/15
Primary Government	\$ 2,110,000	\$ 1,173,000	\$ 453,000	\$ 2,830,000
Component Units	849,000		150,000	699,000
	<u>\$ 2,959,000</u>	<u>\$ 1,173,000</u>	<u>\$ 603,000</u>	<u>\$ 3,529,000</u>

The reduction in the BANs payable for the primary government is included as a transfer in for the capital projects fund.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**4. INDEBTEDNESS (continued)**

**LONG TERM DEBT**

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

These long-term liabilities are backed by the full faith and credit of the Town, including bonds of the Town Special Districts which are payable from tax revenues of the general fund and special revenue funds. Interest rates on these bonds vary from 2.00% to 5.00% and have maturity dates in 2016 through 2030.

Future principal and interest payments to maturity for both the primary government and the component units are as follows:

Years Ending December 31,	Primary Government			Component Units		
	Principal	Interest	Totals	Principal	Interest	Totals
2016	\$ 2,361,000	\$ 841,130	\$ 3,202,130	\$ 194,000	\$ 34,493	\$ 228,493
2017	2,441,000	786,145	3,227,145	194,000	27,639	221,639
2018	2,485,000	723,658	3,208,658	190,000	23,799	213,799
2019	2,055,000	667,804	2,722,804	190,000	19,049	209,049
2020	1,950,000	620,721	2,570,721	185,000	12,499	197,499
2021-2025	10,580,000	2,369,942	12,949,942	185,000	4,400	189,400
2026-2030	10,520,000	913,175	11,433,175			
<b>Total</b>	<b>\$32,392,000</b>	<b>\$ 6,922,575</b>	<b>\$39,314,575</b>	<b>\$ 1,138,000</b>	<b>\$ 121,879</b>	<b>\$ 1,259,879</b>

**Advance Refunding of Bonds**

During 2015, the Town issued \$7,882,000 in Refunding Serial Bonds with interest rates ranging from 2.0% to 5.0% and annual maturities through March 2030.

The net proceeds of \$8,758,044 (the par amount of the bonds plus a premium of \$978,944 less underwriter's fees, insurance and other issuance costs of \$102,900), were used to refund \$8,300,000 of outstanding 2007 Series A and B Public Improvement Serial Bonds with interest rates ranging from 2.00% to 5.00%.

The net proceeds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the governmental liabilities portion of the statement of net assets.

The refunding was done in order to reduce debt payments in the short-term. The refunding reduced future total debt service payments by \$1,991,536. The overall transaction resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$499,558 for the Town.

**Defeasance of Debt**

In the current year and in prior years, the Town of Southold defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2015, \$1,300,000 of these bonds outstanding are considered defeased.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**4. INDEBTEDNESS (continued)**

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2015 is as follows:

	As Restated			Noncurrent		
	Balance			Balance	liabilities due	Noncurrent
	1/1/2015	Increases	Reductions	12/31/2015	within one year	liabilities
<b>Primary Government:</b>						
General obligation bonds	\$ 35,235,000	\$ 7,882,000	\$ 10,725,000	\$ 32,392,000	\$ 2,361,000	\$ 30,031,000
Add: Premiums on Obligations		978,944		978,944	69,925	909,019
Total General Obligation Bonds Payable	35,235,000	8,860,944	10,725,000	33,370,944	2,430,925	30,940,019
Due to Employees Retirement System	66,909		66,909	-0-		-0-
Compensated absences	8,538,674	614,306	228,872	8,924,108	150,000	8,774,108
General claims and judgments liability	342,690	125,876	42,538	426,028		426,028
Estimated liability for landfill closure and postclosure care costs	895,930		453,042	442,888	16,614	426,274
Net pension liability	2,667,212		740,464	1,926,748		1,926,748
Other postemployment benefits payable	35,395,548	5,973,325	1,580,053	39,788,820		39,788,820
<b>Component Units:</b>						
General obligation bonds	1,375,000	1,138,000	1,375,000	1,138,000	194,000	944,000
Compensated absences	213,432		54,092	159,340	39,835	119,505
Net pension liability	179,481		45,303	134,178		134,178
Other postemployment benefits payable	334,379		48,010	286,369		286,369

The liabilities for compensated absences, amounts due to employee's retirement system, net pension liability and other postemployment benefits payable will be liquidated through future budgetary appropriations in the funds that gave rise to the liability. In most instances these amounts will be liquidated from the general funds, highway fund, and certain special revenue funds. Payments for estimated claims and judgments will be liquidated primarily from the general fund. The estimated liability for landfill closure and postclosure costs will be liquidated by the solid waste management fund.

**5. RETIREMENT SYSTEM**

Plan Description

The Town of Southold participates in the New York State and Local Employees' Retirement System (NYSERS) and Local Police and Fire Retirement System (PFRS) (the "System"). This is a cost-sharing multiple-employer retirement system. The net position of the System is held in the New York Common Retirement Fund ("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. 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 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 <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. RETIREMENT SYSTEM** (continued)

Benefits Provided

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

*Tiers 1 and 2*

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

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

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

*Tiers 3, 4, and 5*

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

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

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

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 members is age 63 for ERS members and 62 for PFRS members.

Benefit calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 % of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

**TOWN OF SOUTHOOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. RETIREMENT SYSTEM** (continued)

Benefits Provided

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

*Special Plans*

The 25-Year Plan allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plan allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

*Ordinary Disability Benefits*

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

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any workers' compensation benefits received. The benefit for eligible Tier 3, 4 and 5 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

*Ordinary Death Benefits*

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

*Post-Retirement Benefit Increases*

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

Contributions

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's year ended March 31.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. RETIREMENT SYSTEM (continued)**

Contributions

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

	ERS	PFRS
2015	\$ 2,142,633	\$ 1,762,500
2014	2,266,683	1,455,243
2013	2,554,814	2,073,878

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

Below is the Town's proportionate share of the net pension liability of the System and its related employer allocation percentage.

	Measurement Date	Net Pension Liability	Allocation of the System's Total Net Liability
ERS	March 31, 2015	\$ 1,412,260	0.04180%
PFRS	March 31, 2015	514,488	0.18691%

The net pension liability was determined by an actuarial valuation as of April 1, 2015 and 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. There was no significant change in the Town's proportionate share from March 31, 2014 to March 31, 2015.

For the year ended December 31, 2015, the Town recognized pension expense of \$2,423,657 of which \$1,270,005 relates to ERS and \$1,153,652 relates to PFRS. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS	PFRS	Totals
<b>Deferred Outflows of Resources:</b>			
Difference between expected and actual experience	\$ 45,208	\$ 62,044	\$ 107,252
Net difference between projected and actual investment earning on pension plan investments	245,291	172,731	418,022
Contributions made subsequent to the measurement date	1,660,774	1,360,111	3,020,885
<b>Total Deferred Outflows of Resources - pension amounts</b>	<b>\$ 1,951,273</b>	<b>\$ 1,594,886</b>	<b>\$ 3,546,159</b>
<b>Deferred Inflows of Resources:</b>			
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	\$ 32,414	\$ 196,819	\$ 229,233
<b>Total Deferred Inflows of Resources - pension amounts</b>	<b>\$ 32,414</b>	<b>\$ 196,819</b>	<b>\$ 229,233</b>

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. RETIREMENT SYSTEM (continued)**

The reported deferred outflows of resources resulting from the Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts will be recognized in pension expense as follows:

	ERS	PFRS
Plan Year Ended March 31, 2016	\$ 64,521	\$ 16,228
2017	64,521	16,228
2018	64,521	16,228
2019	64,521	16,228
2020	64,521	(26,955)
	\$ 258,084	\$ 37,957

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Actuarial Valuation Date	April 1, 2014	April 1, 2014
Interest Rate	7.50%	7.50%
Salary scale:		
Inflation	2.70%	2.70%
Productivity and merit	2.20%	2.70%
Total salary scale	4.90%	5.40%
Inflation rate	2.70%	2.70%
Decrement tables	April 1, 2005 - March 2010 System's Experience	April 1, 2005 - March 2010 System's Experience

Annuitant mortality rates are based on the April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**5. RETIREMENT SYSTEM** (continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type:	Target Allocation	Long-term Expected Rate of Return
Equity:		
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Alternatives:		
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Other	9.00%	6.75-8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

The discount rate used to calculate the total pension liability was 7.5% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net 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 7.5%, 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-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1.00% Decrease 6.50%	Current Assumption 7.50%	1.00% Increase 8.50%
Town's proportionate share of the collective net pension liability/(asset)			
ERS	\$ 9,413,318	\$ 1,412,260	\$ (5,342,619)
PFRS	6,850,135	514,488	(4,795,167)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

Valuation Date	Town's Proportionate Share	
	ERS	PFRS
	(Dollars in thousands)	(Dollars in thousands)
	April 1, 2014	April 1, 2014
Employers' total pension liability	\$ (164,591,504)	\$ 28,474,417
Plan net position	161,213,259	(28,199,157)
Employers' net pension liability	<u>\$ (3,378,245)</u>	<u>\$ 275,260</u>
Ratio of plan net position to the Employers' total pension liability	97.95%	99.00%

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**6. OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)**

In the government-wide financial statements, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the costs of postemployment healthcare in the year when the employee benefits are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, which commenced with the 2008 liability.

Plan Description

The Town, as a single-employer defined benefit OPEB plan, per its contracts with employees, will pay full premium costs for medical insurance coverage (currently provided by the Empire Plan) at retirement. Employees are eligible for retiree health insurance provided that the employee has been eligible for coverage under the Town's health insurance plan for at least 10 consecutive years and is employed by the Town on the last date immediately prior to retirement. The retiree and spouse are eligible for full Medicare premium reimbursement. Healthcare benefits for non-union employees are similar to those of union employees. Surviving spouses of deceased employees may continue coverage by paying the premium equivalent for participants.

The number of participants as of January 1, 2015, the effective date of the OPEB valuation is as follows.

Active employees	202
Retirees and dependents	189
Surviving spouses	<u>4</u>
Total	<u>395</u>

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

Funding Policy

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefits Cost and Net Obligation

For the year ended December 31, 2015, the Town's annual other postemployment benefits cost (expenses) were \$5,973,325. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$1,580,053 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$4,393,272 for the year ended December 31, 2015. The Town's component units annual other postemployment benefits cost (expenses) were \$37,430. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$48,010 for retirees, the result was a decrease in the other postemployment benefits liability of \$10,580 for the year ended December 31, 2015.

Benefit Obligations and Normal Cost as of December 31, 2015

	<u>Governmental Activities</u>
Retired employees	\$ 32,934,145
Active employees	<u>35,989,799</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 68,923,944</u>

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town's unfunded actuarial accrued liability for the year ended December 31, 2015 amounted to \$68,923,944.

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**6. OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)** (continued)

Annual Other Postemployment Benefits Cost and Net Obligation

The Town's annual other postemployment benefits cost, the amount actually paid and changes to the Town's net other postemployment benefits obligation to the Plan for the year ended December 31, 2015 are as follows:

Normal Cost	\$ 2,665,507
Amortization of unfunded actuarial liability (UAAL) over 30 years	3,726,053
Interest	<u>239,684</u>
Annual required contribution (ARC)	6,631,244
Interest on net other postemployment benefits obligation	1,327,333
Adjustment to ARC	<u>(1,985,252)</u>
Annual OPEB cost (expense)	5,973,325
Less: contribution for year ended December 31, 2014	<u>1,580,053</u>
Increase in net OPEB obligation	4,393,272
Net OPEB obligation - beginning of year	<u>35,395,548</u>
Net OPEB obligation - end of year	<u>\$ 39,788,820</u>
Percent of annual OPEB cost contributed	26.45%

Funded Status and Funding Progress:

The percentage contributed, as it relates to the Town of Southold, for the current year and preceding year was:

	<u>Annual OPEB Cost</u>	<u>Annual Contribution Made</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 5,973,325	\$ 1,580,053	26.45%	\$ 39,788,820
2014	5,906,329	1,237,840	20.96%	35,395,548
2013	6,161,498	1,498,955	24.33%	30,727,059

The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The funded status of the plan projected as of January 1, 2015 is as follows:

	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>UAAL as a Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Payroll</u>
Town	\$ -0-	\$ 68,923,944	\$ 68,923,944	0%	\$ 15,249,862	451.96%
Component Units	-	496,030	496,030	0%	1,067,178	46.48%

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**6. OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)** (continued)

Actuarial Methods and Assumptions:

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

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

In the January 1, 2015 actuarial valuation, the liabilities were computed using the projected unit credit cost method, level dollar amortization method, and an open year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 3.75% discount rate. The valuation assumes an 8.25% healthcare cost trend increase for the year, reduced by decrements down to 5.00% in fiscal year 2022.

**7. COMPENSATED ABSENCES**

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statements of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2015, the value of the accumulated vacation time and sick leave was \$8,924,108 for the primary government.

**D. COMMITMENTS AND CONTINGENCIES**

**Risk Management**

In common with other municipalities, the Town receives numerous notices of claims. The Town established a self-insurance risk management program for general liability insurance which is accounted for in the general fund. Although the eventual outcome of these claims cannot presently determined, the Town has estimated unsettled claims and litigation to be \$426,028 which is included as claims and judgments payable in the government-wide financial statements and \$6,198 is included as judgments and claims payable as a current liability in the fund financial statements. 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.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**Risk Management** (continued)

For the year ended December 31, 2015, the Town has a deductible liability exposure of \$50,000 per claim for general liability, \$25,000 per claim for automobile liability, police liability and employee benefits, and \$10,000 per claim for public officials and employment practices. Any liability exposure above the deductible amounts is covered by primary insurance policies up to \$1,000,000 per claim for general liability, public officials, police and employment practices, and employee benefits.

Aggregate exposures are \$1,000,000 per claim for public officials, police and employment practices, \$3,000,000 for employee benefits and general liability. After primary policy limits are exhausted, the excess exposure above the per claim or aggregate limits is covered by an umbrella liability policy of \$10,000,000 per claim and \$10,000,000 in the aggregate.

In relation to the health insurance benefits that were self-insured, the self-funded plan was terminated as of December 31, 2014 and coverage was provided through the New York State Insurance Program's Empire Plan as of January 1, 2015.

There have been no significant reductions in insurance coverage as compared to the prior year and there were no settlements in excess of insurance coverage over the last three years.

The Town reserves for general liability claims are determined by a third party administrator, and are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims reserves for general liability claims are re-evaluated periodically to take into consideration recently settled claims and any new developments and changes.

The Town's liabilities for medical claims outstanding at year end were reported by the third party administrator and were recorded when the claim had been incurred and paid within 60 days of the year end.

The Town's discretely presented component units are not included in the Town's self-insurance risk management program for any claims.

Fund balance is assigned for future catastrophic losses and is not available for other uses. Changes in the liability for claims and judgments for the year ended December 31, 2015 and 2014 are as follows:

	Medical		General Liability	
	2015	2014	2015	2014
Unpaid Claims as of December 31, prior year	\$ 802,509	\$ 200,999	\$ 350,483	\$ 14,843
Incurred Claims:				
Provision for insured events of the current fiscal year	1,976	4,195,052	124,281	395,484
Increase (decrease) in net provision for insured events of prior fiscal years	-0-	4,944	-0-	(1,585)
Total Incurred Claims and Claim adjustments	804,485	4,400,995	474,764	408,742
Payments of:				
Claims during the current year	804,485	3,598,486	42,538	58,259
Unpaid Claims as of December 31, current year	\$ -0-	\$ 802,509	\$ 432,226	\$ 350,483

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

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

**Contingent Liabilities**

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

**Landfill Closure and Post-Closure Care Costs**

State and federal laws and regulations required the Town to place a final cover on its landfill sites and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The Town ceased accepting waste at its Cutchogue landfill as of October 8, 1993. Accordingly, as of December 31, 2015 the Town has recorded a liability of \$442,888, in the government-wide financial statements which represents the provision to be made in future budgets for unfunded closure and postclosure landfill costs. As the liability is based on 100% of capacity there are no estimated costs of closure or postclosure remaining to be recognized. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws. In July 2015, the NYS DEC approved the Town's request to go from quarterly testing to semi-annual testing. As a result of this approval, the expected future costs to maintain the landfill have decreased and the liability has been adjusted by \$453,042 in the current year.

**Construction and Other Capital Acquisition Commitments**

The Town is committed to capital improvements to its various facilities and infrastructure. At December 31, 2015, these commitments amounted to \$2,978,763 in the capital projects fund.

**Animal Shelter Agreement**

In May 2011, the Town entered into an agreement with the North Fork Animal Welfare League to operate and manage the Town of Southold Animal Shelter. The agreement is for a term of four years commencing on June 1, 2011. The agreement was renewed in March 2015 with the lease to begin March 2016 expiring in February 2026. The future payments associated with this agreement are as follows:

2016	\$	185,403
2017		226,651
2018		231,651
2019		232,484
2020		232,484
2021-2025		1,162,420
2026		<u>38,747</u>
	\$	<u>2,309,840</u>

**Lease Commitments and Leased Assets**

The Town leases property and equipment under operating leases. Total rental expenditures on such leases for the year ended December 31, 2015 were \$255,229. Future obligations over the primary terms of the Town's leases as of December 31, 2015 are as follows:

2016	\$	163,653
2017		132,568
2018		111,470
2019		32,110
2020		25,412
2021-2025		<u>75,576</u>
Total	\$	<u>540,789</u>

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**E. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED COMPONENT UNITS**

The following represents condensed financial statements for the discretely presented component units as of and for the year ended December 31, 2015:

Condensed Statement of Net Position:

	Current Assets	Due from Primary Government	Capital Assets Net of Depreciation	Deferred Outflows of Resources	Current Liabilities	Other Long-Term Liabilities	Deferred Inflows of Resources	Net Position
Fishers Island								
Ferry District	\$ 898,553	\$ 177,219	\$ 9,684,907	\$ 148,221	\$ 1,344,425	\$ 1,521,482	\$ 179,529	\$ 7,863,464
Fishers Island Waste								
Management District	600,787	125,256	2,747,672		14,775		125,256	3,333,684
Cutchogue-New Suffolk								
Park District*	130,289	31,161	114,975				31,161	245,264
Southold Park District*	135,632	72,948	805,852				72,948	941,484
Orient-East Marion								
Park District*	4,139	9,796	459,501				9,796	463,640
Mattituck Park District*	1,001,379	93,575	1,819,569		3,898		93,575	2,817,050
Orient Mosquito District'	35,836	19,686			777		19,686	35,059
	<u>\$ 2,806,615</u>	<u>\$ 529,641</u>	<u>\$ 15,632,476</u>	<u>\$ 148,221</u>	<u>\$ 1,363,875</u>	<u>\$ 1,521,482</u>	<u>\$ 531,951</u>	<u>\$ 15,699,645</u>

Condensed Statement of Activities:

	Program			General Revenue			Net Position	
	Expenses	Revenue	Net Expense	Property Tax	Other	Change	As Restated 1/1/2015	12/31/2015
Fishers Island								
Ferry District	\$ 4,122,945	\$ 2,834,576	\$ 1,288,369	\$ 788,116	\$ 80,160	\$ (420,093)	\$ 8,283,557	\$ 7,863,464
Fishers Island Waste								
Management District	763,807	43,559	720,248	558,653	1,999	(159,596)	3,493,280	3,333,684
Cutchogue-New Suffolk								
Park District*	126,049		126,049	140,000	102	14,053	231,211	245,264
Southold Park District*	352,118		352,118	327,726	47,085	22,693	918,791	941,484
Orient-East Marion								
Park District*	39,056		39,056	40,155	462	1,561	462,079	463,640
Mattituck Park District*	435,234	309,815	125,419	412,559	188,814	475,954	2,341,096	2,817,050
Orient Mosquito District'	84,066		84,066	86,700	17	2,651	32,408	35,059
	<u>\$ 5,923,275</u>	<u>\$ 3,187,950</u>	<u>\$ 2,735,325</u>	<u>\$ 2,353,909</u>	<u>\$ 318,639</u>	<u>\$ (62,777)</u>	<u>\$ 15,762,422</u>	<u>\$ 15,699,645</u>

\*unaudited component units

Complete financial statements and financial records of these component units can be obtained from their respective administrative offices:

Orient Mosquito District  
145 Platt Road  
Orient, NY

Cutchogue-New Suffolk  
Park District  
P.O. Box 311  
Cutchogue, NY 11935

Southold Park District  
P.O. Box 959  
Southold, NY 11971

Fishers Island Ferry District  
P.O. Box H  
Fishers Island, NY 06390

Fishers Island Waste  
Management District  
Fishers Island, NY 06390

Orient-East Marion  
Park District  
P.O. Box 12  
Orient, NY 11957

Mattituck Park District  
P.O. Box 1413  
Mattituck, NY 11952

**TOWN OF SOUTHOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**F. 2% TRANSFER TAX**

Transfer tax receipts are recorded in the Community Preservation Fund, and are used for the purchase and/or preservation of agricultural land, open space, parks, or historic preservation sites. The tax applies to sales of vacant land amounts in excess of \$100,000 or sales of improved land in excess of \$250,000. Conveyance of real property for open space, parks or historic preservation purposes are exempt from this tax.

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

For the fiscal year ended December 31, 2015, the Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. The implementation of Statement No. 68 and No.71 resulted in the retroactive reporting of a liability and deferred outflow and inflow of resources related to the Town's participation in the NYS Local Employees Retirement System and NYS Local Police and Fire Retirement System. As a result, the Town's January 1, 2015 governmental activities net position was decreased by \$171,661 from \$98,187,403 to \$98,015,742.

Net position beginning of year, as reported	\$ 98,187,403
GASB Statements No. 68 and 71 implementation:	
Beginning System liability - Employees' Retirement System	(1,889,088)
Beginning System liability - Police and Fire Retirement System	(778,124)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Employees' Retirement System	1,447,002
Police and Fire Retirement System	<u>1,048,549</u>
Net position beginning of year, as restated	<u><u>\$ 98,015,742</u></u>

**H. SUBSEQUENT EVENTS**

In April 2016, the Town paid off the \$729,000 BAN by redeeming a portion of the BAN and issuing \$550,000 in serial bonds. The annual interest rate on the serial bonds varies from 1.25% to 1.5% and has a final maturity date of April 1, 2021.

In August 2016, the Town paid off the \$2,800,000 BAN by redeeming a portion of the BAN and issuing \$4,613,000 in serial bonds for Town public improvements. The annual interest rate on the serial bonds varies from 2% to 2.25% and has a final maturity date of August 15, 2034.

**I. NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued the following Statements:

Statement No. 72 *"Fair Value Measurement and Application"* includes requirements that will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

**TOWN OF SOUTHDOLD**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**I. NEW PRONOUNCEMENTS (continued)**

Statement No. 73 *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68”* the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,”* the objective of which is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

Statement No. 77, *“Tax Abatement Disclosures,”* the objective of which is to improve financial reporting by providing the users of financial statements with information about the nature and magnitude of tax abatements, and helping the users understand how tax abatements affect a government’s future ability to raise resources and meet its financial obligations, as well as the impact on the government’s financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,”* amends the scope and applicability of Statement No. 68. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to employees of a state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that meets certain criteria of Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provided defined benefit pensions both to employees of state/local governmental employers as well as to employees of non-state/local governmental employers and (c) has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide pensions through the pension plan. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 80, *“Blending Requirements for Certain Component Units – an Amendment of Statement No.14,”* the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

Statement No. 82, *“Pension Issues – an Amendment of Statements No. 67, 68, and 73,”* the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of the Statement are effective for reporting beginning after June 15, 2016, except for the requirements for selection of assumptions in a certain circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

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

**TOWN OF SOUTHOLD**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive (Negative)
<b>REVENUES</b>					
Real property taxes	\$ 23,191,122	\$ 23,191,122	\$ 23,191,122		\$ -0-
Other real property tax items	90,000	90,000	84,468		(5,532)
Non-property tax items	1,019,873	1,019,873	1,019,873		-0-
Departmental income	368,900	374,900	378,566		3,666
Intergovernmental charges and local aid	497,577	532,577	201,872		(330,705)
Use of money and property	236,000	236,000	202,337		(33,663)
Licenses and permits	276,535	276,535	334,392		57,857
Fines and forfeitures	185,500	185,500	285,314		99,814
Sale of property and compensation for loss	77,500	95,433	149,521		54,088
Miscellaneous local sources	35,675	56,010	44,569		(11,441)
Interfund revenues	30,000	30,000	30,000		-0-
State aid	1,120,500	1,147,350	1,488,134		340,784
Federal aid	12,500	209,246	178,359		(30,887)
Total Revenues	<u>27,141,682</u>	<u>27,444,546</u>	<u>27,588,527</u>	<u>-0-</u>	<u>143,981</u>
<b>EXPENDITURES</b>					
Current:					
General government support	6,933,259	6,955,887	5,898,933	\$ 13,481	1,043,473
Public safety	10,425,595	10,606,209	9,843,839	88,762	673,608
Public health	34,800	42,800	40,964		1,836
Transportation	529,900	529,925	496,164	2,490	31,271
Economic assistance and opportunity	1,501,991	1,497,532	1,270,735	492	226,305
Culture and recreation	324,510	326,260	296,303	175	29,782
Home and community services	400,143	430,603	367,820	849	61,934
Employee benefits	9,362,244	9,324,604	8,603,849		720,755
Debt service:					
Principal	493,400	497,200	497,200		-0-
Interest	153,300	153,300	149,490		3,810
Total Expenditures	<u>30,159,142</u>	<u>30,364,320</u>	<u>27,465,297</u>	<u>106,249</u>	<u>2,792,774</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,017,460)</u>	<u>(2,919,774)</u>	<u>123,230</u>	<u>(106,249)</u>	<u>2,936,755</u>
<b>Other Financing Uses</b>					
Transfers out	(678,995)	(750,894)	(724,732)		26,162
Total Other Financing Uses	<u>(678,995)</u>	<u>(750,894)</u>	<u>(724,732)</u>	<u>-0-</u>	<u>26,162</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,696,455)</u>	<u>\$ (3,670,668)</u>	<u>(601,502)</u>	<u>\$ (106,249)</u>	<u>\$ 2,962,917</u>
<b>Fund Balance at Beginning of Year</b>			<u>8,713,456</u>		
Fund Balance at End of Year			<u>\$ 8,111,954</u>		

See notes to the financial statements.

**TOWN OF SOUTHOLD**  
**HIGHWAY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance Positive (Negative)
<b>REVENUES</b>					
Real property taxes	\$ 4,641,266	\$ 4,641,266	\$ 4,641,266		\$ -0-
Other real property tax items	7,700	7,700	4,641		(3,059)
Use of money and property	9,500	9,500	5,579		(3,921)
Licenses and permits	10,000	10,000	15,737		5,737
for loss	1,500	8,050	7,954		(96)
Miscellaneous local sources			8,500		8,500
State aid	420,619	562,221	644,078		81,857
Federal aid		183,868	69,196		(114,672)
<b>Total Revenues</b>	<u>5,090,585</u>	<u>5,422,605</u>	<u>5,396,951</u>	<u>-0-</u>	<u>(25,654)</u>
<b>EXPENDITURES</b>					
Current:					
General government support	8,450	8,450	7,463		987
Transportation	3,719,088	4,428,952	4,081,500	\$ 5,832	341,620
Employee benefits	1,665,798	1,605,574	1,545,987		59,587
Debt Service:					
Principal	65,000	65,000	65,000		-0-
Interest	30,790	29,565	29,530		35
<b>Total Expenditures</b>	<u>5,489,126</u>	<u>6,137,541</u>	<u>5,729,480</u>	<u>5,832</u>	<u>402,229</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(398,541)</u>	<u>(714,936)</u>	<u>(332,529)</u>	<u>(5,832)</u>	<u>376,575</u>
<b>Other Financing Sources and Uses</b>					
Transfers in		66,135	66,135		-0-
Transfers out	(130,000)	(129,740)	(129,737)		3
<b>Total Other Financing Sources and Uses</b>	<u>(130,000)</u>	<u>(63,605)</u>	<u>(63,602)</u>	<u>-0-</u>	<u>3</u>
<b>Net Change in Fund Balance</b>	<u>\$ (528,541)</u>	<u>\$ (778,541)</u>	<u>(396,131)</u>	<u>\$ (5,832)</u>	<u>\$ 376,578</u>
<b>Fund Balance at Beginning of Year</b>			<u>1,043,128</u>		
Fund Balance at End of Year			<u>\$ 646,997</u>		

See notes to the financial statements.

**TOWN OF SOUTHD**  
**COMMUNITY PRESERVATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Non-property tax items	\$ 5,448,000	\$ 5,448,000	\$ 6,464,184	\$ 1,016,184
Use of money and property	15,000	15,000	14,879	(121)
State aid			12,824	12,824
Federal aid			4,919	4,919
Total Revenues	5,463,000	5,463,000	6,496,806	1,033,806
<b>EXPENDITURES</b>				
Current:				
Home and community services	7,544,450	7,544,450	987,028	6,557,422
Debt service:				
Principal	1,338,500	1,338,500	1,338,500	-0-
Interest	1,007,000	1,007,000	1,006,692	308
Total Expenditures	9,889,950	9,889,950	3,332,220	6,557,730
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(4,426,950)	(4,426,950)	3,164,586	7,591,536
<b>Net Change in Fund Balance</b>	\$ (4,426,950)	\$ (4,426,950)	3,164,586	\$ 7,591,536
<b>Fund Balance at Beginning of Year</b>			11,632,416	
Fund Balance at End of Year			\$ 14,797,002	

See notes to the financial statements.

**TOWN OF SOUTHOLD**  
**POSTEMPLOYMENT BENEFITS HEALTHCARE COSTS - SCHEDULE OF FUNDING PROGRESS**  
Year Ended December 31, 2015

Actuarial Valuation Date January 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
2015	\$ -0-	\$ 68,923,944	\$ 68,923,944	0.00%	\$ 15,249,862	451.96%
2014	-0-	68,001,588	68,001,588	0.00%	14,982,384	453.88%
2013	-0-	65,881,679	65,881,679	0.00%	14,268,937	461.71%

\* These amounts are projected based on the rollforward calculation by the actuary.

**TOWN OF SOUTHOLD**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
For the Year Ended December 31, 2015

<u>Years Ended December 31,</u>	<u>Contractually required contributions</u>	<u>Contributions recognized by the plan in relation to the contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
<b>ERS</b>					
2015	\$2,142,633	\$ 2,142,633	\$ -0-	\$ 11,429,154	18.75%
2014	2,266,683	2,266,683	-0-	11,076,674	20.46%
2013	2,554,814	2,554,814	-0-	10,713,710	23.85%
2012	2,066,738	2,066,738	-0-	10,813,507	19.11%
2011	1,827,936	1,827,936	-0-	10,343,478	17.67%
2010	1,265,284	1,265,284	-0-	10,193,620	12.41%
2009	794,550	794,550	-0-	10,502,285	7.57%
2008	932,918	932,918	-0-	10,277,355	9.08%
2007	980,628	980,628	-0-	9,707,731	10.10%
2006	1,096,547	1,096,547	-0-	9,057,129	12.11%
<b>PFRS</b>					
2015	\$1,762,500	\$ 1,762,500	\$ -0-	\$ 6,769,147	26.04%
2014	1,455,243	1,455,243	-0-	6,737,987	21.60%
2013	2,073,878	2,073,878	-0-	6,127,253	33.85%
2012	1,209,715	1,209,715	-0-	6,410,344	18.87%
2011	1,308,331	1,308,331	-0-	6,057,237	21.60%
2010	957,407	957,407	-0-	5,999,280	15.96%
2009	861,865	861,865	-0-	6,222,524	13.85%
2008	905,458	905,458	-0-	5,997,070	15.10%
2007	967,286	967,286	-0-	5,580,419	17.33%
2006	741,445	741,445	-0-	5,280,051	14.04%

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

**TOWN OF SOUTHOLD**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
For the Year Ended December 31, 2015

<u>ERS</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability	0.4180%	0.4180%
Town's proportionate share of the net collective pension liability	\$ 1,412,260	\$ 1,889,088
Town's covered-employee payroll	\$ 11,429,154	\$ 11,076,674
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.36%	17.05%
Plan net position as a percentage of the total pension liability coming from plan	97.90%	97.20%
<u>PFRS</u>		
Town's proportion of the net pension liability	0.18691%	0.18691%
Town's proportionate share of the net collective pension liability	\$ 514,888	\$ 778,124
Town's covered-employee payroll	\$ 6,769,147	\$ 6,737,987
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.61%	11.55%
Plan net position as a percentage of the total pension liability coming from plan	99.90%	98.50%

**OTHER SUPPLEMENTARY  
INFORMATION**

**TOWN OF SOUTHOLD**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
December 31, 2015

	Special Revenue Funds						Total Non-Major Funds
	General Fund Part Town	Special Grant	East-West Fire Protection District	Southold Wastewater District	Fishers Island Sewer District	Solid Waste Management District	
<b>ASSETS</b>							
Cash and investments	\$ 862,963		\$ 25,775	\$ 17,468	\$ 49,916	\$ 988,165	\$1,944,287
Accounts receivable	151,530					89,574	241,104
Due from other funds	163,637		167,590	70	9,000	478,904	819,201
State and federal aid receivables	62,359	\$ 21,440				17,390	101,189
Prepays	71,080					73,638	144,718
Total Assets	<u>\$1,311,569</u>	<u>\$ 21,440</u>	<u>\$ 193,365</u>	<u>\$ 17,538</u>	<u>\$ 58,916</u>	<u>\$1,647,671</u>	<u>\$3,250,499</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	25,729	21,440	13,136		4,074	260,611	324,990
Unearned revenue	30,283				9,000	39,120	78,403
Total Liabilities	<u>56,012</u>	<u>21,440</u>	<u>13,136</u>	<u>-0-</u>	<u>13,074</u>	<u>299,731</u>	<u>403,393</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unearned revenue from real property taxes	<u>107,165</u>		<u>167,590</u>			<u>442,474</u>	<u>717,229</u>
<b>FUND BALANCE</b>							
Nonspendable	71,080					73,638	144,718
Assigned	<u>1,077,312</u>		<u>12,639</u>	<u>17,538</u>	<u>45,842</u>	<u>831,828</u>	<u>1,985,159</u>
Total Fund Balance	<u>1,148,392</u>	<u>-0-</u>	<u>12,639</u>	<u>17,538</u>	<u>45,842</u>	<u>905,466</u>	<u>2,129,877</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$1,311,569</u>	<u>\$ 21,440</u>	<u>\$ 193,365</u>	<u>\$ 17,538</u>	<u>\$ 58,916</u>	<u>\$1,647,671</u>	<u>\$3,250,499</u>

**TOWN OF SOUTHOLD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2015

	Special Revenue Funds						Total Non-Major Funds
	General Fund Part Town	Special Grant	East-West Fire Protection District	Southold Wastewater District	Fishers Island Sewer District	Solid Waste Management District	
<b>REVENUES</b>							
Real property taxes	\$ 292,716		\$ 764,836	\$ 108,075		\$ 2,171,566	\$ 3,337,193
Other real property tax items	293		13	2		36	344
Non-property tax items	624,435						624,435
Departmental income	729,310			925	\$ 23,209	1,447,425	2,200,869
Intergovernmental charges and local aid						735	735
Use of money and property	2,222		284	119	39	22,336	25,000
Licenses and permits	20,210					161,330	181,540
Sale of property and compensation for loss						235,653	235,653
State aid	109,630					28,091	137,721
Federal aid		\$ 52,539					52,539
<b>Total Revenues</b>	<b>1,778,816</b>	<b>52,539</b>	<b>765,133</b>	<b>109,121</b>	<b>23,248</b>	<b>4,067,172</b>	<b>6,796,029</b>
<b>EXPENDITURES</b>							
General government support	54,304					26,410	80,714
Public safety	586,857		766,309				1,353,166
Home and community services	737,584	52,539			28,839	2,724,628	3,543,590
Employee benefits	569,760					621,619	1,191,379
Debt service:							
Principal					6,000	518,300	524,300
Interest				803	3,395	119,366	123,564
<b>Total Expenditures</b>	<b>1,948,505</b>	<b>52,539</b>	<b>766,309</b>	<b>803</b>	<b>38,234</b>	<b>4,010,323</b>	<b>6,816,713</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(169,689)</b>		<b>(1,176)</b>	<b>108,318</b>	<b>(14,986)</b>	<b>56,849</b>	<b>(20,684)</b>
<b>Other Financing Uses:</b>							
Transfers out	(19,953)			(110,000)			(129,953)
<b>Total Other Financing Uses</b>	<b>(19,953)</b>	<b>-0-</b>	<b>-0-</b>	<b>(110,000)</b>	<b>-0-</b>	<b>-0-</b>	<b>(129,953)</b>
<b>Net Change in Fund Balance</b>	<b>(189,642)</b>		<b>(1,176)</b>	<b>(1,682)</b>	<b>(14,986)</b>	<b>56,849</b>	<b>(150,637)</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,338,034</b>	<b>-0-</b>	<b>13,815</b>	<b>19,220</b>	<b>60,828</b>	<b>848,617</b>	<b>2,280,514</b>
<b>Fund Balances at End of Year</b>	<b>\$ 1,148,392</b>	<b>\$ -0-</b>	<b>\$ 12,639</b>	<b>\$ 17,538</b>	<b>\$ 45,842</b>	<b>\$ 905,466</b>	<b>\$ 2,129,877</b>