

OFFICIAL STATEMENT

**NEW ISSUE: SERIAL BONDS
BOOK-ENTRY-ONLY
SERIES A: BANK QUALIFIED
SERIES B: NOT BANK QUALIFIED**

**MOODY'S RATING: Aa2
S&P'S RATING: AAA
(SEE "RATINGS" HEREIN)**

In the opinion of Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any Series B Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Series B Bonds or a "related person," and (ii) under the Code, interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Town will designate the Series A Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. The Series B Bonds do not qualify for such designation.

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

**\$15,255,000 PUBLIC IMPROVEMENT SERIAL BONDS - 2009 SERIES A
(the "Series A Bonds")**

MORGAN KEEGAN & COMPANY, INC.

DATE OF ISSUE: Date of Delivery

**DUE: November 15, 2011-2024
(as shown on inside cover)**

**\$6,000,000 AIRPORT IMPROVEMENT SERIAL BONDS - 2009 SERIES B
(the "Series B Bonds")**

ROBERT W. BAIRD

DATE OF ISSUE: Date of Delivery

**DUE: November 15, 2010-2019
(as shown on inside cover)**

(collectively herein the "Bonds")

The Bonds are general obligations of the Town of Islip, Suffolk County, New York (the "Town"). The Town has pledged its faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town without limitation as to rate or amount.

The Bonds will be issued as registered Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds.

Interest on the Bonds will be payable on May 15, 2010, November 15, 2010 and semi-annually thereafter on May 15 and November 15 in each year until maturity. The record date for the Bonds will be the last business day of the month preceding each such interest payment date. The Bonds maturing in the years 2019 and thereafter will be subject to redemption prior to maturity as described herein (See "Optional Redemption"). Principal of and interest on the Bonds will be paid by the Town to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein (see "Book-Entry-Only System").

The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Bonds in definitive form will be made on or about November 19, 2009.

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE TOWN DATED OCTOBER 28, 2009 RELATING TO THE BONDS BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, THE TABLE OF CONTENTS AND THE INCLUSION OF APPENDIX C ("RATINGS"), THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

Dated: November 5, 2009

\$15,255,000 PUBLIC IMPROVEMENT SERIAL BONDS – 2009 SERIES A

<u>Maturity</u>	<u>Amount</u>	Interest		<u>Maturity</u>	<u>Amount</u>	Interest	
		<u>Rate</u>	<u>Yield</u>			<u>Rate</u>	<u>Yield</u>
November 15, 2011	\$875,000	2.00%	0.70%	November 15, 2018	\$1,095,000	3.00%	2.95%
November 15, 2012	895,000	2.00	1.05	November 15, 2019	1,130,000*	3.25	3.15
November 15, 2013	915,000	2.00	1.45	November 15, 2020	1,170,000*	4.00	3.30
November 15, 2014	945,000	2.25	1.85	November 15, 2021	1,215,000*	4.00	3.40
November 15, 2015	985,000	2.50	2.25	November 15, 2022	1,265,000*	4.00	3.50
November 15, 2016	1,020,000	2.75	2.55	November 15, 2023	1,315,000*	4.00	3.55
November 15, 2017	1,060,000	3.00	2.75	November 15, 2024	1,370,000*	4.00	3.60

\$6,000,000 AIRPORT IMPROVEMENT SERIAL BONDS – 2009 SERIES B

<u>Maturity</u>	<u>Amount</u>	Interest		<u>Maturity</u>	<u>Amount</u>	Interest	
		<u>Rate</u>	<u>Yield</u>			<u>Rate</u>	<u>Yield</u>
November 15, 2010	\$510,000	3.00%	0.50%	November 15, 2015	\$610,000	3.00%	2.33%
November 15, 2011	525,000	3.00	0.75	November 15, 2016	640,000	3.00	2.60
November 15, 2012	540,000	3.00	1.10	November 15, 2017	660,000	3.00	2.82
November 15, 2013	555,000	3.00	1.50	November 15, 2018	680,000	3.25	3.00
November 15, 2014	580,000	3.00	1.95	November 15, 2019	700,000*	3.50	3.15

*Subject to optional redemption prior to maturity.

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

TOWN OF ISLIP

PHIL NOLAN
Supervisor

Town Board

CHRISTOPHER D. BODKIN
JOHN H. EDWARDS
STEVEN J. FLOTTERON
GENE PARRINGTON

REGINA V. DUFFY
Town Clerk

VIRGINIA E. ALLEN
Receiver of Taxes

ROBERT F. QUINLAN
Town Attorney

JOSEPH LUDWIG, CPA
Comptroller and Director of Finance

Bond Counsel
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NEW YORK, NEW YORK

PREPARED WITH THE ASSISTANCE OF



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**OFFICIAL STATEMENT
OF THE TOWN OF ISLIP
SUFFOLK COUNTY, NEW YORK**

\$15,255,000 PUBLIC IMPROVEMENT SERIAL BONDS - 2009 SERIES A

and

\$6,000,000 AIRPORT IMPROVEMENT SERIAL BONDS - 2009 SERIES B

This Official Statement including the cover page and appendices thereto has been prepared by the Town of Islip, Suffolk County, New York (the "Town", "County", and State" respectively) and presents certain information relating to the Town's \$15,255,000 Public Improvement Serial Bonds - 2009 Series A (the "Series A Bonds") and \$6,000,000 Airport Improvement Serial Bonds - 2009 Series B (the "Series B Bonds") (collectively the "Bonds"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000, or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Bonds.

The Bonds are dated November 19, 2009 and mature as set forth on the cover page. Interest on the Bonds will be payable on May 15, 2010, November 15, 2010 and semi-annually thereafter on May 15 and November 15 in each year until maturity. The Bonds maturing on or after November 15, 2019 will be subject to redemption prior to maturity as described herein (see "Optional Redemption", herein). The record date for the Bonds will be the last business day of the calendar month preceding each interest payment date. Principal and interest will be paid by the Town to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Town referred to therein.

Authorization and Purpose

The Series A Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Town Law and the Local Finance Law, to finance the following:

<u>Purpose</u>	<u>Amount</u>
Compost Facility Improvements	\$ 200,000
Resource Recovery Facility Improvements	540,000
Traffic Sign Improvements	65,000
Vehicle and Equipment Acquisition	925,000
Sayville Landfill Improvements	160,000
Sonia Road Landfill Improvements	50,000
Marina and Bulkhead Improvements	2,000,000
Timberline Pool Improvements	300,000
Parks and Recreation Area Improvements	780,000
Town Facilities Improvements	900,000
Heavy Vehicles Acquisition	350,000
Road Drainage Improvements	900,000
Road Paving	5,100,000
Auditorium Improvements	200,000

Sidewalk Improvements	350,000
Equipment for DPW	350,000
Improvements to Vehicles	300,000
GIS Surveys	55,000
Road Safety Improvements	450,000
Various Community Improvements	200,000
Marina Equipment Acquisition	25,000
Removal and Replacement of Trees	250,000
Installation of Guard Rails	35,000
Phone System Improvements	330,000
Computer Hardware and Software	<u>440,000</u>
Total	\$15,255,000

The Series B Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Town Law and the Local Finance Law, to finance the Acquisition of a fuel farm site for the Long Island MacArthur Airport for \$6,000,000.

Proceeds of the Series A and Series B Bonds will provide original financing for the aforementioned purposes.

Nature of Obligation

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

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest the Town has power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town without limitation as to rate or amount.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefor.

Optional Redemption

The Bonds maturing on or before November 15, 2018 will not be subject to redemption prior to maturity. The Bonds maturing on or after November 15, 2019 will be subject to redemption prior to maturity, at the option of the Town, on November 15, 2018 and thereafter on any date, as a whole or in part, and if in part in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), at the price equal to the par amount, plus accrued interest to the date of redemption.

The Bonds shall be redeemable prior to maturity upon the giving of notice which identifies the Bonds to be redeemed, by mailing such notice to the registered holders thereof at their respective addresses as shown upon the registration books of the fiscal agent at least thirty (30) days prior to the date set for any such redemption. If notice of redemption shall be given as aforesaid, the Bonds so called for redemption shall become due and payable at the applicable redemption price on the redemption date designated in such notice, and interest on such Bonds shall cease to accrue from and after such redemption date.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository (the “Securities Depository”) for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond Certificate will be issued for each maturity of each series of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Town takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

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

THE TOWN

General Information

The Town of Islip is located in Suffolk County on the south shore of Long Island, about 45 miles from New York City. The Town has a land area of approximately 105.6 square miles and a population currently estimated at 330,000.

The Town is typically suburban in character with residential neighborhoods, garden apartments, shopping malls and light industry located along the major road arteries and surrounding Long Island MacArthur Airport. The Town's location on the shore of the Great South Bay provides many recreational opportunities to residents, as well as affording employment to many independent clammers and baymen.

The Town is served by both the Main Line and the Montauk Division of the Long Island Rail Road, operated by the Metropolitan Transportation Authority. Major road arteries include the Long Island Expressway, Veterans Highway, Sunrise Highway, Montauk Highway, Southern State Parkway, Robert Moses Causeway, Heckscher State Parkway and Sagtikos State Parkway.

Public water is supplied by the Suffolk County Water Authority, Town water districts, and private wells. A sanitary sewer system in the southwest portion of the Town is provided by the County. Fire protection is supplied by a number of volunteer fire departments and fire protection districts. Police protection is furnished by the Suffolk County Police Department. Gas and electricity are furnished by the Long Island Power Authority and National Grid.

Pilgrim State Hospital, Good Samaritan and Southside Hospital are located in the Town. A State office building is located in Hauppauge adjacent to the twelve-story County Office Building (County Center West). Both are in the Town of Islip.

Dowling College in Oakdale, a hamlet in the Town, is a private liberal arts college, granting undergraduate and graduate degrees. In addition, C.W. Post College, Suffolk County Community College and Touro College operate extension campuses in the Town. St. Johns University operates an extension campus at the former LaSalle Center site in the Town.

New York Institute of Technology operates a 500-acre campus in Central Islip in the Town. Undergraduate programs are in computer science, general studies, hotel and restaurant administration and electronic and mechanical technology.

Recreation facilities include approximately 100 parks and recreation areas, which include over 10 public beaches located on either the Great South Bay, Fire Island and Lake Ronkonkoma plus four swimming pool complexes. For boating residents,

the Town has fourteen marinas with a total of 1,500 boat slips and 9 boat ramps. In addition, the Town operates three golf courses, the Brentwood and Holbrook Country clubs plus the Gull Haven golf course.

Some unique public recreation facilities within the Town include more than 6.5 miles of The Fire Island National Seashore. This barrier island provides recreational access to some of the best ocean beaches on the east coast. With more than 36 square miles of water, the Great South Bay provides numerous recreational activities including boating, swimming, fishing and shellfishing.

Other government recreation facilities include the Robert Moses State Park, two thousand acre Connetquot River State Park, Hecksher State Park, two County golf courses, both located on the Great South Bay and the Bayard Cutting Arboretum. There are also a number of private facilities and clubs within the Town that offer a wide variety of year round recreational activities

Population Trends

	<u>Town</u>	<u>County</u>	<u>State</u>
1960	172,959	666,784	16,782,304
1970	278,880	1,126,530	18,241,266
1980	298,897	1,284,231	17,557,288
1990	299,754	1,321,864	17,990,455
2000	322,612	1,419,369	18,976,457

Source: U.S. Census Bureau.

Economy

While the Town is primarily residential, more than 5,600 acres of the Town are zoned for industrial use. The Town has more than 3,400 listed businesses and more than 89,000 occupied dwelling units. Some of the major employers in the Town and the approximate number of persons employed by each include the following:

<u>Name</u>	<u>Primary Business Activity</u>	<u>Approximate Number of Employees</u>
Good Samaritan Hospital	Hospital	3,500
NBTY	Vitamins, Minerals & Nutrients	2,500
Southside Hospital	Hospital	2,500
Computer Associates International	Software	2,450
Broadridge Financial Services	Payroll/Data Services	1,900
Quality King Distributors	Health & Beauty Care Products	1,000
Periphonics/ Nortel Networks	Computer Telephony Integration	625
Entenmann's Bakery	Food Products	600
Creative Bath	Manufacturers of Bathroom Accessories	550
Dayton T. Brown, Inc.	Test Lab & Metal Products	500
Wenner Bread Products	Food Products	500
ILC Data Device	Electronic Components	500
Positive Promotions	Manufacturer of Promotional Products	450
G.E. (Smith Aerospace Systems)	Electronic Test-Equipment & Aircraft Systems	300
Verizon	Communications/Call Center	300
North American Enclosures	Picture Frames, Decorative Accessories	250
Constance Foods	Manufacturer of Prepared Foods	250

Source: Town of Islip-Economic Development Division.

The growth of economic development in the Town is largely the result of expansion of planned industrial parks and an aggressive marketing campaign undertaken by the Town government. There are 30 such industrial parks located within the Town, encompassing over 2,100 acres with 30,000,000 square feet of building space completed.

Redevelopment of the former Central Islip State Psychiatric Hospital grounds has been a major boost to the Town's economy. The state-designated Empire Zone (the "EZ"), one of four on Long Island, is situated there. A 96-acre Techpark is almost completely developed for manufacturing and high technology. Creative Bath, Inc., manufacturers of bathroom accessories occupies 475,000 square feet of manufacturing space in Tech Park; a related company, Creative Ware occupies a 246,000 square foot facility in the same industrial park; JMR Graphics, a silk-screening and design company, operates from a 12,000 square-foot facility; Cintas, the largest uniform manufacturing company in the U.S., opened a 55,000 square foot service and manufacturing facility in 1997; and in 2001, Jasco, a manufacturer of department store display furniture, constructed a brand new 120,000 square foot manufacturing plant. Adjacent to Techpark, the redevelopment of the College Woods site has been completed and currently has 450 affordable housing units, which is the largest such program by any town in New York State, and earned the prestigious Audrey Nelson national award in 1991. Also in the EZ, all 550 units of affordable townhouses planned adjacent to the campus of New York Institute of Technology have been completed. Just adjacent to the EZ, the \$128-million Suffolk County Courthouse has been completed. A \$195-million Federal courthouse next to the County complex opened in the fall of 2000. A new \$20 million Minor League Ballpark was completed in 2000, immediately adjacent to the County Courthouse. It opened for the Spring 2000 baseball season. Also, in Central Islip, a new 310,000 sq. ft. retail center (The Central Islip Town Center) opened in July 2006, with two large national retailers, Home Depot and Target Stores, as anchors. Benjamin Development Corporation opened a 175,000 square foot class A office building in 2001, on the site of an old medical/surgical building and completed a 153 room senior citizen rental facility immediately adjacent. Long Island Hotels has received approvals for a hotel/restaurant complex adjacent to the office building and the courts. Benjamin Development Corporation has completed a 223 unit condominium complex adjacent to the Gull Haven Golf Course. Touro Law School opened a 200,000 square foot state of the art education facility for 750 students in February of 2007. It is the only law school in the country situated immediately adjacent to both Federal and State Court complexes. In October 2008, United Cerebral Palsy opened Phase 1 of a 25,620 square foot diagnostic and treatment center for people with disabilities. This \$17-million facility is located on Carleton Avenue.

In 2005 the Town completed an amendment to the Central Islip Community Revitalization Plan, which included more mixed use development including housing, office and industrial. As a result of the amendment, a number of new projects are underway in Central Islip. Timber Ridge is constructing a 253 unit condominium complex, in close proximity to the Touro Law School and courts. Twenty percent of the units will be set aside for affordable housing with the remainder selling at market rates. Jobco has begun demolition and site work on an eventual 287 unit condominium complex Northwest of Park Row. A recreational facility is planned to be constructed on Town owned land adjacent to the Jobco residential complex. The facility will be privately financed, constructed and managed through an innovative public/private partnership with the Town.

In addition to Central Islip, the Veteran's Highway Corridor in Bohemia/Ronkonkoma continues to attract development, largely due to the influence of Long Island MacArthur Airport. It has been identified as the "fastest growing business hub in Suffolk County" (LI Business News). Between January 2006 and September 2008, 57 new and expanded commercial and industrial buildings, totaling 1,911,373 square feet have been completed. Recent projects in this area have included: a 200,000 square foot distribution facility, built by Reckson Associates, housing Quantum Medical Imaging; a 130,000 square foot manufacturing and industrial facility built for Rothco, the world's largest distributor of military surplus products; a 91,000 square foot building, constructed by First Industrial, for Premier Sydel; a 44,000 square foot building for Fisher Scientific, a manufacturer of labels used in clinical tracking of test pharmaceutical products; a 60,000 square foot building for GAC, a manufacturer of orthodontic equipment; a 55,000 square foot manufacturing facility for Wenner Breads, a commercial bakery; an 127,000 square foot manufacturing facility built for ITT/EDO Corporation's Antenna Division; and a new 236,000 square foot food processing and distribution facility for Seven Eleven Corporation and Constance Foods. At least twelve other industrial and office buildings were constructed in the corridor over the past five years. Also, one new hotel, the Hilton Garden Inn was completed and opened in the summer of 2003 and a 130 room La Quinta Inn was completed and opened in 2006.

In downtown Bay Shore, many significant projects have occurred in recent years. The 260 seat Boulton Center for Performing Arts occupies a former vacant theater. The reconstruction of the 34,000 square foot Dominy Building is 75% occupied with 17,000 square feet of retail space on the first floor and residential apartment above. The long vacant Vitagraph Studio has been restored for luxury loft apartments and is completely occupied, housing 220 employees, and the old Burlington Coat Factory has been restored for back office operations for the Good Samaritan Hospital. A long vacant blighted former single room occupancy structure has been demolished and is being replaced with a 57 unit condominium complex. Construction is expected to start on the 57 unit condominium complex called Pace Cove in 2009 or 2010. Six blighted buildings opposite the Bay Shore Rail Road station have been razed for Chelsea Place, a 28 unit condo and rental apartment building, was completed in Spring of 2009, and is scheduled to be available by fall. A 10,000 square foot office building on Main Street replacing a number of long vacant and dilapidated structures was completed in the last quarter of 2008. Finally, the \$1.2 million reconstruction of the much used Bay Shore Marina bulkheading was completed in July of 2007.

Town of Islip Community Development Agency

The Town of Islip Community Development Agency (the "Agency") was organized in 1976 as a body corporate and politic constituting a public benefit corporation under the Urban Renewal Law. The Agency is the successor to the Town of Islip Urban Renewal Agency, which was established in 1974. The Urban Renewal Law grants to the Agency broad community development urban renewal powers, including the ability to issue its negotiable bonds and notes to achieve its corporate purposes. The Agency does not have the power to levy taxes or impose assessments or charges against real property.

The Board of Directors of the Agency is composed of a chairman and four directors who are appointed by the Town Board and serve five year terms. The Executive Director of the Agency is the chief administrative officer and is appointed by and serves at the pleasure of the Agency Board.

The Agency issued \$6,000,000 Community Development (Serial) Bonds, 1989 (Suffolk Avenue-Crooked Hill Road Community Development Plan) dated November 15, 1989. All remaining principal and interest on these bonds was paid in full on May 5, 2008. The bonds were general obligations of the Agency and did not constitute a debt of the Town, however, the Town had guaranteed the payment of the principal and interest on the bonds. Consistent with the Town of Islip Brentwood Urban Renewal Plan and, in particular, the portion thereof known as the Suffolk Avenue-Crooked Hill Road Redevelopment Plan, the proceeds of the bonds were used to acquire a ten (10) acre site on the east side of Crooked Hill Road, north of Suffolk Avenue in the area of the Town known as Brentwood. A successful shopping center incorporating a grocery store was constructed on the site by a private developer in 1990, and revenues from the lease were used to service the debt on the bonds. The private developer purchased the property from the Agency on April 2, 2008, in accordance with the lease agreement.

The Town has assisted Touro College in purchasing the underutilized Bay Shore Mini-Center from Suffolk County and adapting the building for use as the Barry Z. Levine School of Health Sciences. Title for the property was transferred from Suffolk County to the Town and then immediately to Touro College. The Town contributed financing to Touro College in the form of a \$1 million Economic Development Initiative Grant and a \$2 million Section 108 Guaranteed Loan from the U.S. Department of Housing and Urban Development. This money was used to pay for the purchase of the property and for a portion of the site improvements. Touro College spent at least \$3 million in private funds for building renovations, additional site improvements, furnishings and moving expenses. Classes began in 1999.

In 2002, the South Wind Village affordable housing project was completed in Bay Shore. This \$15 million award winning project was a joint venture with the Agency, the Long Island Housing Partnership (a 501(c)(3) not for profit corporation) and the Town of Islip Housing Authority. In total, 78 new units of affordable housing were developed, including 52 townhouses for first time homebuyers, 10 affordable family rental townhouses, and 16 senior citizen garden apartments. The Agency was principally responsible for site acquisition and relocation, while LIHP was responsible for design, marketing and construction. The Housing Authority provided substantial financing, and owns and manages all of the 26 rental units. South Wind Village was given a "Blue Ribbon" award from the U.S. Department of Housing and Urban Development, and is considered one of Long Island's finest examples of "smart growth" due to its re-use of blighted property and proximity to the business district and mass transit.

In 2004 the Long Island Housing Partnership, through their affiliate, Nassau/Suffolk Partnership Housing Development Fund Company, completed construction on ten affordable townhouses in Bay Shore, known as Sunnybrook Court. Four single family detached houses were also completed in the spring of 2005 in close proximity to this project, and 15 more scattered-site units were completed in 2006 and early 2007. The Agency and Long Island Housing Partnership are currently working on plans for 40 units of mixed-income townhouses to be constructed in downtown Bay Shore in 2009-2010.

Habitat for Humanity of Suffolk is also actively engaged in the production of affordable housing in the Town and completes at least three new homes in the Town each year. Whenever possible, the Agency arranges for the conveyance of vacant land to Habitat for Humanity, the Long Island Housing Partnership and other non-profit sponsors without cost, and often provides site improvement and other subsidies to further assist in keeping the housing affordable. The Town further assists these groups in producing affordable units by waiving development fees. In addition the Agency acquires five to ten severely blighted and/or foreclosed houses in the Town each year, which are fully renovated and offered for sale to moderate income families selected by lottery.

The Agency has ongoing projects to assist approximately fifteen low and moderate income-homeowners annually in rehabilitating their homes, providing handicap access and when needed, removing lead hazards. Several non-profit housing providers are also supported in their efforts to increase the supply of affordable permanent rental housing. A portion of the funds from all four HUD Entitlement Grants is earmarked for this purpose.

On September 26, 2008, the Town was notified that it will be receiving \$3,720,392 in new funding under the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program created by the 2008 Housing and Economic Recovery Act. These funds will be used by the Agency to acquire, renovate and sell foreclosed properties to eligible first time homebuyers, and will be targeted to the areas hardest hit by subprime mortgages.

Long Island MacArthur Airport

Long Island MacArthur Airport (the "Airport"), owned and operated by the Town, occupies approximately 1,310 acres in Ronkonkoma. It has four paved bi-directional runways, the largest of which is over 7,000 feet in length. The initial airport was constructed in 1942/43 by the federal government on property transferred to the Town by the County at no cost. The first major scheduled airline service was commenced by Allegheny Airlines, now USAirways, in 1960.

The public airlines that operate approximately 70 flights per day out of the Airport, include Southwest Airlines and USAirways Express. Nine direct destinations are served by these airlines including Baltimore-Washington International, Chicago-Midway, Orlando, Fort Lauderdale, Tampa, West Palm Beach, Las Vegas, Ft. Myers, Philadelphia, among others.

The Airport is ranked 88th nationwide based on the number on enplanements. The number of passengers using the Airport in 2008 was 2,130,348,

The Airport's location near the center of Long Island has been instrumental in its development as a regional transportation center. The Airport is accessible from three major east-west thoroughfares. The main access road enters onto Veteran's Memorial Highway; the Airport is four miles south of the Long Island Expressway and approximately one mile north of Sunrise Highway. The Long Island Railroad, Ronkonkoma Station, is less than two miles from the main terminal. A shuttle bus runs regularly to the railroad from the Airport. The parking capacity at the Airport exceeds 3,500 vehicles.

The Airport has pursued a major expansion plan in recent years. In August 2004, a new 114,000 square foot concourse constructed by Southwest Airlines, was dedicated for use. The Phase I Concourse includes four jet gates, four new restaurants, additional security screening areas, 27,000 square feet of aircraft parking area, administrative offices, public restrooms and newspaper/gift shops. The Phase II Concourse has four jet gates, an escalator, new baggage systems and support facilities. It was completed and opened in November, 2006. The total cost of Phase I and Phase II was approximately \$80 million.

The Town also continues to make various improvements to the Airport including the runways, airfield lighting, roadways and parking areas. Debt service on these Town obligations, including the Terminal Building Improvement Program, will be paid from passenger facility charges (additionally backed by a general obligation pledge) collected by the airlines and remitted to the Town, thus eliminating Town taxpayer funding for major airport improvements.

The Town, acting as agent for the County, has established a Foreign Trade Zone (the "FTZ") on a 52 acre site located at the airport. The Islip Foreign Trade Zone Authority finances and administers the FTZ. There are currently thirteen buildings in the FTZ totaling 450,000 square feet of commercial and industrial uses.

Islip Resource Recovery Agency

The Islip Resource Recovery Agency (the "Agency") was organized in 1982 as a body corporate and politic constituting a public benefit corporation under Title 13-C of the Public Authorities Law. The Public Authorities Law grants to the Agency broad power in the management of solid waste, including the ability to issue bonds and notes to achieve its corporate purposes. The Agency does not have the power to levy taxes or impose assessments or charges against real property. It does have the power to own and operate solid waste disposal facilities and to collect fees and charges for the use of said facilities.

The Board of Directors of the Agency consists of five members comprised, ex-officio, of the members of the Islip Town Board.

The Agency issued \$38,685,000 in Resource Recovery System Revenue Bonds (1985 Facility-Series A)(the "1985 Series A Bonds"), dated December 1, 1985, for the construction of the MacArthur Resource Recovery Facility (500 ton per day waste to energy). The Agency has also issued its \$16,000,000 Resource Recovery System Revenue Bonds (1985 Facility-Series B (1994)) (the "1994 Series B Bonds"), dated April 6, 1994, maturing serially in each of the years 2009 through 2013, inclusive,

to finance improvements to the MacArthur Resource Recovery Facility. The Agency issued \$30,785,000 Resource Recovery System Refunding Revenue Bonds (1985 Facility-Series D (1995) (the “1995 Series D Bonds”), dated August 15, 1995, to refund, for debt service savings, the 1985 Series A Bonds.

The Agency issued \$17,430,000 in Resource Recovery System Revenue Bonds (1985-Series E (2004)) dated March 3, 2004, for construction of emissions control equipment and certain other modifications to the facility to comply with EPA Clean Air Act Regulations. The estimated cost of this project was approximately \$16,000,000 with the installation of a Fly Ash Condition System that was completed in 2007. The Agency has also issued Refunding Bonds in the aggregate amount of \$8,515,000 dated April 5, 2004 to refund a portion of the 1994 Series B Bonds.

All of such bonds are special obligations of the Agency with revenues of the solid waste disposal system pledged to the repayment thereof. These bonds do not constitute an obligation of the Town.

The Town, on behalf of itself and 70 special garbage and refuse districts, has by a Solid Waste Disposal Agreement, dated December 1, 1985, pledged to deliver all municipal solid waste generated within the Town to the Agency for processing and/or disposal in the Agency's system, and to further pay certain charges attendant upon the operation of the system. The system consists of active landfilling, recycling, and composting facilities in addition to the waste to energy facility, all of which are operated in a manner consistent with the New York State Solid Waste Management Plan. The Agency has contracted with the Town to acquire all rights to revenues generated at each facility, and for continued Town operation of the landfill, recycling center, and compost facility. The Agency provides for operation of the MacArthur waste to energy facility under separate contract with Montenay Islip Inc.

Unemployment Rate Statistics

	<u>Year Average</u>								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>				
Suffolk County	4.7%	4.2%	4.0%	3.9%	5.0%				
New York State	5.8%	5.0%	4.6%	4.5%	5.4%				
	<u>2009 Monthly Figures</u>								
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
Suffolk County	7.2%	7.9%	7.5%	6.8%	7.0%	7.5%	7.6%	7.5%	N/A
New York State	7.6%	8.4%	8.1%	7.5%	7.9%	8.6%	8.6%	8.8%	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Form of Town Government

The Town was established in 1683 and is presently classified as a Suburban Town. Located within the Town are four separate villages. Such villages have independent forms of government, but their properties are subject to taxation by the Town for certain purposes. In addition, there are twelve independently governed school districts which rely upon their own taxing powers granted by the State to raise revenues. Eight of these school districts are entirely within the Town while parts of the other four school districts have properties in neighboring towns as well as in the Town. These school districts, for their Islip properties in the Town, use the Town's assessment roll as the basis for taxation.

The chief executive officer of the Town is the Supervisor who is elected for a term of four years and may serve up to three consecutive four-year terms. He also is a member of the Town Board. In addition to the Supervisor, there are four members of the Town Board who are elected for four year terms. Each term is staggered so that every two years two councilmen seats are up for election. There is no limitation as to the number of terms which may be served by council members of the Town Board. Both the Supervisor and councilmen are elected at large.

The Town Board appoints its Assessor who serves a six year term. The Town Board appoints the Comptroller, Engineer and the Town Attorney whose terms are fixed by Town Law. The Town Clerk is elected for a four-year term and may serve up to three consecutive four-year terms. The Receiver of Taxes is elected for a four-year term and there is no term limit. The Town Board appoints seven Commissioners: Environmental Control; Comptroller; Public Works; Park, Recreation and Cultural

Affairs; Aviation and Transportation; Human Resources; and Planning, Housing and Development. The Commissioners serve at the pleasure of the Town Board.

Financial Organization

Pursuant to Local Law No. 12 of 1974, of the Town, certain of the financial functions of the Town are the responsibility of the Comptroller. The Supervisor, however, is the chief fiscal officer of the Town.

The Comptroller, who is responsible to the Supervisor, also acts as the Budget Officer and the Accounting Officer of the Town.

The duties of the Comptroller include administration, direction and control of the following divisions: Accounting, Accounts Payable, Accounts Receivable, Audit and Control, Budgeting and Financing.

Employees

The Town provides services through approximately 870 full-time and 811 part time and seasonal employees. 760 white and blue collar workers are represented by Teamsters local #237 whose contract expired December 31, 2007 and is currently under negotiation. There has never been a strike against the Town.

Status and Financing of Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS"). The ERS is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The ERS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the ERS. The ERS is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 with less than 10 year's experience must contribute 3% of gross annual salary toward the cost of retirement programs.

The Pension Reform Bill (Chapter 49 of the Laws of 2003) changed the cycle of billing to match the budget cycles of municipalities, including the Town. Under the previous method municipalities, including the Town, were unsure of how much they would be required to pay to the system until after their budgets were implemented. Under the new system the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the Town will be able to build the cost of the contribution into its budget.

Chapter 260 of the Laws of 2004 moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004. It increased, from five to ten years, the maximum amortization period of the portion of employer contributions in excess of 7% of payroll for the 2004-2005 fiscal year of the Retirement System (April 1-March 31). This amortization was authorized to be made with the Retirement System or the Town was authorized to issue a maximum of 10 year general obligation bonds to finance its annual contributions in excess of designated percentages of payroll, the interest on which would have been set at prevailing bond market rates on the date of sale and would have been taxable for federal income tax purposes. The Town did not amortize its payments to the ERS.

Due to significant capital market declines in the recent past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rate for the State's Retirement System in 2011 year and subsequent years will be higher than the minimum contribution rate established by Chapter 49. At this time the Town is unable to predict the amount of any such increase. To mitigate the expected increases in the employer contribution rate, Comptroller DiNapoli has proposed legislation that would permit local governments and schools districts to issue bonds to fund the required increased contribution.

Other Post Employment Benefits

It should also be noted that the Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. A recently enacted accounting rule, GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), requires, governmental entities, such as the Town, to account for post-retirement healthcare benefits with respect to vested pension benefits. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

<i>Annual Revenue</i>	<i>Effective for Fiscal Year Beginning After:</i>
Greater than \$100 million	December 15, 2006
Between \$10 million and \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

Since the implementation of Chapter 729 of the Laws of 1994, School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits has been extended annually and continued through May 15, 2009 pursuant to Chapter 43 of the Laws of 2008. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 45 and OPEB. OPEB refers to “other post-employment benefits,” meaning benefits other than pension benefits. OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 will require municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It will require them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Town hired USI Consultants for the actuarial valuation and as of December 31, 2007 they calculated the unfunded actuarial accrued liability of \$159,642,448 and an ARC of \$12,339,993.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the “GML”), the Town is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Town may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or District corporation, other than those notes issued by the Town; (5) certificates of participation issued in connection with installment purchase contracts entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

All of the foregoing instruments and investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of instruments or investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Town, such instruments and investments must be purchased through, delivered to and held in the custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Town's investments are governed by a formal written investment policy, which is consistent with the Investment Policies and Procedures guidelines promulgated by the Office of the State Comptroller. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies authorized to do business in the State of New York and located within the Town. The Town limits its investments to time deposit accounts and certificates of deposit and repurchase agreements.

It is the Town's policy to require collateral for all deposits not covered by federal deposit 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 Towns.

The Town's investment policy further provides that all investment obligations must be payable or redeemable at the option of the Town within such time or times as the proceeds will be needed to meet expenditures for the purposes for which monies were provided.

The Town's investment policy does not permit the Town to invest in so-called derivatives or reverse repurchase agreements and the Town has never invested in derivatives or reverse repurchase agreements.

State Aid

The Town receives financial assistance from the State. In its general fund budget for the current fiscal year, approximately 15% of the operating revenues of the Town are estimated to be received in the form of State aid. If the State does not adopt its budget in a timely manner, as is the case this year, municipalities and Towns 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. No assurance can be given that existing State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduced State aid could have material adverse effect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "Market Factors and Bondholders Risks").

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Bonds are to be issued, is the Town Law and the Local Finance Law.

The Town expects to be in compliance by the closing date with the estoppel procedure for the Bonds as provided in Title 6 of Article 2 of the Local Finance Law. (See "Statutory Procedure" herein).

No principal or interest upon any obligation of the Town is past due.

The fiscal year of the Town is the calendar year.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Town except to the extent shown in the section entitled "Estimated Overlapping Indebtedness".

Financial Statements

The Town retains independent Certified Public Accountants to conduct audits of its financial operations. The last such audit covers the fiscal year ended December 31, 2007. The 2007 Audit was prepared in compliance with GASB 34. A copy is attached as Appendix B.

Summary statements of the results of operations (see "Appendix A, A-1, A-2" herein) for various funds and budgets for various funds, shown in the Appendices of the Official Statement, have been derived from the annual and audited financial reports and budgets of the Town and are provided in memorandum form for information only. It is not implied, by inclusion of these statements, that the individual funds included performed individually in accordance therewith.

Budgetary Procedures

The Supervisor, with the assistance of the Comptroller (acting in his capacity as Budget Officer) prepares a preliminary budget each year and holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board as its final budget for the coming fiscal year. The budget is not subject to referendum.

TAX INFORMATION

Valuations

Year Ending <u>December 31:</u>	Taxable <u>Assessed Valuation</u>	State <u>Equalization Rate</u>	Full <u>Valuation</u>
2005	\$4,388,855,120	13.82	\$31,757,272,937
2006	4,409,955,900	11.98	36,810,984,140
2007	4,429,067,461	10.68	41,470,669,110
2008	4,445,808,724	9.64	46,118,347,759
2009	4,458,698,161	9.64	46,252,055,612

Tax Levy and Tax Rate

Year Ending <u>December 31:</u>	<u>Town</u>		<u>Town Outside Villages</u>		<u>Highway</u>	
	<u>Tax Levy</u>	<u>Tax Rate¹</u>	<u>Tax Levy</u>	<u>Tax Rate¹</u>	<u>Tax Levy</u>	<u>Tax Rate¹</u>
2005	\$26,684,170	\$6.08	\$2,536,419	\$0.62	\$11,376,754	\$2.76
2006	25,361,853	5.75	2,672,076	0.64	12,583,206	3.04
2007	25,667,416	5.80	2,044,805	0.49	12,908,830	3.11
2008	25,824,785	5.81	1,657,858	0.40	12,845,639	3.09
2009	25,712,214	5.77	1,682,211	0.40	13,748,998	3.29

¹ Average tax rate per \$1,000 of assessed valuation. Pursuant to Article 19 of the New York State Real Property Tax Law, different tax rates were established in 1983 for homestead and non-homestead properties. Homestead properties are defined as one, two or three family residential dwellings, all other properties are non-homesteads.

Tax Collection Record

Year Ending December 31:	Total Tax Levy ^{1,2}	Amount to Town Supervisor	Amount to County Treasurer	Uncollected End of Local Collection Period	% Uncollected End of Local Collection Period	Uncollected End of Year ³
2004	\$671,314,314	\$555,426,472	\$86,544,071	\$29,344,632	4.37%	None
2005	721,857,387	600,776,724	91,474,127	29,607,064	4.10	None
2006	771,144,693	643,398,879	95,963,190	31,783,641	4.12	None
2007	813,650,445	683,525,758	98,341,796	31,782,891	3.90	None
2008	856,993,540	716,245,993	140,747,547	34,264,337	4.00	None
2009	902,435,797	750,068,352	110,627,889	36,047,972	3.99	None

¹ Includes School, Fire, County, Town and Special District.

² Net of STAR payments to School Districts.

³ The Town annually receives 100% of its tax levy. See "Tax Collection Procedure".

Larger Taxpayers-2009 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Long Island Power Authority	Utility	\$50,103,557
Westland South Shore Mall LP	Shopping Mall	34,152,200
KeySpan Energy	Utility	23,053,698
Island Headquarters Oper LLC (Comp Assoc)	Office Buildings	18,820,700
Verizon	Utility	15,006,595
Heatherwood House	Garden Apartments	13,421,600
Home Properties	Apartments	10,806,500
Islandia SC I LLC	Shopping Center	9,649,700
State of New York	Office Buildings	8,313,006
Gerald M. O'Shea	Misc. Properties	7,735,300
GSM LI LLC & ICA LI LLC	Office & Industrial Properties	6,841,750
Pilgrim State Hospital	State Owned Hospital	6,715,940
Columbia Properties	Hotel	6,200,000
HH FP Portfolio LLC	Hotel	6,101,700
Inland Western Bay Shore	Shopping Center	6,080,800
Victorian Garden LLC	Apartments	6,066,300
Spruce Pond Co. LLC	Shopping Center	6,025,000
Five Long Island Properties	Assisted Living Facilities	6,008,400

Source: Town of Islip Assessor's Office

Tax Collection Procedure

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

The Town Tax Receiver distributes the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. After May 31st, when the rolls are turned over to the County, all taxes are payable to the County Treasurer with an additional penalty to date of payment. Tax sales are held annually by the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The Town thereby is assured of full tax collection.

TOWN INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, the Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

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 per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is 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 Office of Real Property Services. 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.

Pursuant to Article VIII of the Constitution and Title 8 of Article 2 of the Local Finance Law, the debt limit of the Town is calculated by taking 7% of the latest five year average of the full valuation of all taxable real property.

Statutory Procedure

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

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Town voters at the discretion of the Town Board.

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

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such

renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "Payment and Maturity" under "Constitutional Requirements").

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

In general, the Local Finance Law contains provisions providing the Town with power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget and capital notes.

Debt Outstanding End of Fiscal Year

December 31,	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Bonds	\$122,060,000	\$122,520,000	\$124,750,000	\$127,925,000	\$130,300,000
Bond Anticipation Notes	<u>1,800,000</u>	<u>900,000</u>	<u>0</u>	<u>0</u>	<u>6,740,000</u>
Total Debt Outstanding	\$123,860,000	\$123,420,000	\$124,750,000	\$127,925,000	\$137,040,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by bonds and notes as of October 26, 2009, excluding refunding bonds.

	<u>Maturity</u>	<u>Amount</u>
Bonds	2009-2021	\$124,105,000
Bond Anticipation Notes	December 17, 2009	<u>6,740,000</u>
Total Indebtedness		\$130,845,000

Debt Statement Summary

The following table sets forth the Town's Debt Limit, Total Net Indebtedness and Debt Contracting Margin as of October 26, 2009.

Average Full Valuation of Taxable Real Property	\$40,481,865,911
Debt Limit....7% thereof.....	2,833,730,613
Outstanding Indebtedness: ¹	
Bonds	\$108,900,000
Refunding Bonds	15,205,000
Bond Anticipation Notes	<u>6,740,000</u>
Total Indebtedness	\$130,845,000
Excluded Indebtedness:	
Refunded Bonds	\$7,550,000
Water Debt.....	<u>172,901</u>
Total Exclusions	\$7,722,901
Total Net Indebtedness	<u>123,122,099</u>
Debt Contracting Margin	<u>\$2,710,608,514</u>
Percentage of Debt Contracting Power Exhausted	4.3%

The issuance of the Bonds will increase the net indebtedness of the Town by \$21,255,000.

¹Article 18, Section 7 of the New York State Constitution requires any liability arising from any guarantee of the principal and interest on indebtedness contracted by a public corporation to be deemed indebtedness in the amount of the face value of the principal thereof remaining unpaid. Should it be necessary for the Town to invoke its guarantee relating to the outstanding Community Development Agency Bonds (see "Town of Islip Community Development Agency" herein) this provision of the Constitution would require identifying the outstanding principal amount of such bonds (up to the amount of the guarantee) to be included in the calculation of the constitutional debt limit.

Bond Principal and Interest Maturity Table

Fiscal Year Ending December 31st	Excluding the Bonds			Principal This Issue	Total Principal All Issues
	Principal	Interest	Total Principal and Interest		
2009	\$13,505,000	\$4,963,416	\$18,468,416		\$13,505,000
2010	14,280,000	4,781,628	19,061,628	480,000	14,760,000
2011	12,105,000	4,155,584	16,260,584	1,350,000	13,455,000
2012	12,100,000	3,666,703	15,766,703	1,405,000	13,505,000
2013	12,645,000	3,147,783	15,792,783	1,465,000	14,110,000
2014	11,705,000	2,626,977	14,331,977	1,525,000	13,230,000
2015	12,235,000	2,116,136	14,351,136	1,595,000	13,830,000
2016	11,075,000	1,615,509	12,690,509	1,660,000	12,735,000
2017	9,455,000	1,179,242	10,634,242	1,730,000	11,185,000
2018	6,810,000	807,969	7,617,969	1,800,000	8,610,000
2019	5,700,000	543,919	6,243,919	1,880,000	7,580,000
2020	2,790,000	334,637	3,124,637	1,180,000	3,970,000
2021	2,910,000	215,656	3,125,656	1,225,000	4,135,000
2022	1,340,000	123,300	1,463,300	1,270,000	2,610,000
2023	1,400,000	63,000	1,463,000	1,320,000	2,720,000
2024	0	0	0	1,370,000	1,370,000
Totals	\$130,055,000	\$30,341,459	\$160,396,459	\$21,255,000	\$151,310,000

Capital Planning and Budgeting

Pursuant to Section 99-g of the General Municipal Law, the Town has undertaken the planning and execution of a capital program in accordance with the provisions of such section. The adoption of such program is not, in the case of the Town, subject to referendum. At any time after the adoption thereof, the Town Board by the affirmative vote of two-thirds of its total membership, may amend such program by adding, modifying or abandoning the projects, or by modifying the methods of financing.

The Capital Budget for 2009 of \$23,966,000 has been compiled from requests by Town Departments for major and long lasting improvements and facilities throughout the Town. In addition, \$800,000 has been requested for landfill improvements by the Islip Resource Recovery Agency.

The Capital program serves as an excellent tool for monitoring municipal spending in accordance with a justified and coordinated program within the overall context of future planning. Annual revisions can be expected in order to update and refine major capital needs for the present and future.

The program, designed to meet current and future needs of the Town, is financed through long-term borrowing so that the cost is shared not only with current taxpayers, but also with the future taxpayers who will derive the long range benefits of the program.

Below and on the following page is a summary of the proposed Capital Budget for 2010-2013.

	2010 Capital Request	2011 Capital Request	2012 Capital Request	2013 Capital Request
Planning	\$ 595,000	\$ 300,000	\$ 300,000	\$ 300,000
Human Services	2,500,000	0	0	0
Data Processing	738,000	635,000	765,000	686,000
Public Safety	980,400	100,000	330,000	225,000
Public Works	10,000,000	23,352,700	23,857,500	24,945,000
Emergency Management	320,000	0	0	0
Recreation	4,230,000	2,780,000	2,780,000	2,780,000
Mac Arthur Airport	198,000	360,000	420,000	675,000

Environmental Control	<u>250,000</u>	<u>5,909,000</u>	<u>5,981,250</u>	<u>3,346,250</u>
Sub Total	19,811,400	33,436,700	34,433,750	32,957,750
Resource Recovery	<u>0</u>	<u>1,600,000</u>	<u>0</u>	<u>0</u>
Total Proposed Capital Request	\$19,811,400	\$35,036,700	\$34,433,750	\$32,957,750

On July 29, 2008 the Town Council approved \$5,900,000 for the Fair Harbor, Dunewood, Lonelyville and Seaview beach Erosion Control Districts. On August 12, 2008 the Town Council approved \$840,000 for the Corneille Estates and Summer Club Beach Erosion Control Districts. The Town issued \$6,740,000 bond anticipation notes pursuant to these authorizations in December, 2008. The Town is currently planning on renewing these bond anticipation notes in December, 2009.

Estimated Overlapping Indebtedness

In addition to the Town, the following political subdivisions have the power to issue debt and to levy taxes or cause taxes to be levied on taxable real property in the Town. Estimated bonds and bond anticipation notes are listed according to most recent available data of the New York State Comptroller's office.

	Total <u>Indebtedness</u>	Exclusions ¹	Net <u>Indebtedness</u>	<u>Applicable to the Town</u>	
				Total <u>Indebtedness</u>	Net <u>Indebtedness</u>
County of Suffolk	\$1,103,196,971	\$191,973,676	\$911,223,295	\$159,963,560 ²	\$132,127,378 ²
School Districts	816,567,864	38,700,000	777,867,864	635,153,647 ³	602,399,747 ³
Fire Districts	13,367,524	112,524	13,255,000	13,187,524	13,075,000
Incorporated Villages	7,358,807	2,424,990	4,933,817	<u>7,358,807</u>	<u>4,933,817</u>
			Total	\$815,663,539	\$752,535,942

¹ Pursuant to applicable constitutional and statutory provisions this indebtedness is normally deductible from the debt statements of the respective issuers.

² Computed at 14.5% of County indebtedness based upon the ratio of the taxable full valuation of the Town to the taxable full valuation of the County.

³ Four of the twelve School Districts located within the Town are jointly shared with other towns and have been individually adjusted to account for that overlap.

Source: New York State Comptroller's Special Report on Municipal Affairs for local fiscal year ending in 2007.

Remedies Upon Default

Under current law, provision is made for contract creditors of the Town to enforce payments upon contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy have been issued.

Remedies for enforcement of payment are not expressly included in the Town's contract with holders of its notes and bonds, although any permanent repeal by statute or constitutional amendment of a Bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. Subject to such consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events

including financial crises as they may occur in the State and in municipalities of the State may require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

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

MARKET FACTORS AND BONDHOLDER RISKS

There are various forms of risk associated with investing in the Bonds. Although none of such risks currently exist with respect to the Town or the Bonds, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the Town will be unable to promptly pay interest and principal on the Bonds as they become due (see “Remedies Upon Default” herein). If a Bondholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the Town as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

There are a number of factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly its property taxes. For instance, an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing considerable strain on the Town's financial condition.

A deterioration of Town finances could cause the credit rating of the Bonds to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by Moody's Investors Service or Standard & Poor's. Any of such actions on the part of Moody's Investors Service or Standard & Poor's could have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. In addition, the price and principal value of the Bonds is generally dependent on the prevailing level of interest rates; if interest rates rise, the price of a Bond is likely to decline, causing the Bondholder to potentially incur a capital loss if such bond is sold prior to its maturity.

Amendments to the Internal Revenue Code of 1986, as amended, could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Town. Any such future legislation could have an adverse effect on the market value of the Bonds (See “Tax Matters” herein).

LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) except that no opinion is expressed as to such exclusion of interest on any Series B Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the Series B Bonds or a “related person”, and (ii) under the Code, interest on the financed Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds, and Bond Counsel has assumed compliance by the Town with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds apply to the Bonds.

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

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

The Series B Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution’s interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligation. The Series B Bonds, however, are taken into account in the calculation of the amount of a financial institution’s preference items under Section 291 of the Code.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have

incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

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

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

Bond Premium

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

Information Reporting and Backup Withholding

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

refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

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

Miscellaneous

The Town will designate the Series A Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. The Series B Bonds do not qualify for such designation.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds.

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

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Town shall furnish a certificate of the Town Attorney, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the Town wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Town or adversely affect the power of the Town to levy, collect and enforce the collection of taxes or other revenues for the payment of its Bonds, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town. Such opinion will be available at the time of delivery of the Bonds and will be to the effect that the Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon without limitation of rate or amount. Said opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement of the Town relating to the Bonds, or any additional proceedings, reports, correspondence, financial statements or other documents containing financial or other information relative to the Town which have been or may be furnished or disclosed to purchasers of the Bonds, and expresses no opinion with respect to such financial or other information or the accuracy or sufficiency thereof.

Closing Certificates

Upon delivery of the Bonds, the Purchaser will be furnished with the following items: (i) a Certificate of the Town Supervisor to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or

omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the Town since the date of this Official Statement to the date of issuance of the Bonds and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the Town evidencing payment for the Bonds; (iii) a Signature Certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or, threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the Town nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (iv) an Arbitrage and Use of Proceeds Certificate signed by the Town Supervisor as described under "Tax Matters".

CONTINUING DISCLOSURE UNDERTAKING

This Preliminary Official Statement is in a form "deemed final" by the Town for the purposes of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). At the time of the delivery of the Bonds, the Town will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the Town for the benefit of holders of and owners of beneficial interests in the Bonds, to electronically file, or cause to be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") System, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

(1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings: "THE TOWN," "TAX INFORMATION," "TOWN INDEBTEDNESS," and "LITIGATION"; and in Appendix A, on or prior to the 180th day following the end of each fiscal year, commencing with the fiscal year ending December 31, 2009, including (ii) the audited financial statement, if any, of the Town for each fiscal year commencing with the fiscal year ending December 31, 2009, unless such audited financial statement, if any, shall not then be available in which case the unaudited financial statement shall be provided and an audited financial statement shall be provided within 30 days after it becomes available and in no event later than 360 days after the end of each fiscal year;

(2) timely notice of the occurrence of any of the following events, if such event is material:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of Bondholders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.

The Town may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Bonds; but the Town does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above; and

(3) in a timely manner, notice of a failure to provide the annual financial information by the date specified.

The Town's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Town, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Town to comply with the Undertaking will not constitute a default with respect to the Bonds.

The Town reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

The Town is in compliance with all prior undertakings pursuant to Rule 15c2-12.

MISCELLANEOUS

Periodic public reports relating to the financial condition of the Town, its operations and the balances, receipts and disbursements of the various Funds of the Town are available for public inspection at the business office of the Town.

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

New York Municipal Advisors Corporation (NYMAC) may place a copy of this Official Statement on its website at www.nymac.net. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. NYMAC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original sourced documents to digital format, and neither the Town nor NYMAC assumes any liability or responsibility for errors or omissions on such website. Further, NYMAC and the Town disclaims any duty or obligation either to update or to maintain the information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. NYMAC and the Town also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

Additional information may be obtained upon request from New York Municipal Advisors Corporation (NYMAC), (516) 364-6363 or from the Town's Comptroller (631) 224-5576.

Dated: October 28, 2009

PHIL NOLAN
Town Supervisor

**Town of Islip
Revenues, Expenditures and Fund Balance
General Fund**

APPENDIX A

Year Ended December 31:	2004	2005	2006	2007	2008
REVENUES					
Real Property Taxes	\$28,067,589	\$26,684,272	\$25,361,954	\$25,667,517	\$25,824,887
Real Property Tax Items	900,220	908,521	952,943	900,318	914,821
Non Property Tax Items	3,324,416	3,524,374	3,732,610	4,164,264	4,418,645
Departmental Income	18,139,701	19,641,574	20,882,263	20,772,346	21,305,549
Intergovernmental Charges	11,474,546	12,080,533	12,693,458	12,644,395	12,573,120
Use of Money and Property	1,266,020	2,636,412	5,794,606	6,493,542	3,356,376
Licenses & Permits	388,916	381,385	436,793	321,053	405,391
Fines & Forfeitures	473,595	463,082	445,150	381,187	340,848
Sale of Property & Compensation for Loss	443,634	364,364	456,411	1,451,609	688,102
Miscellaneous	826,271	610,267	670,382	423,664	481,224
Interfund Revenues	2,603,663	4,172,232	2,830,462	2,661,467	2,794,645
Revenues from State Sources	27,624,355	26,032,408	27,636,697	22,812,187	13,346,380
Revenues from Federal Sources	243,612	252,111	242,652	323,796	274,952
Total Revenues	95,776,538	97,751,535	102,136,381	99,017,345	86,724,940
EXPENDITURES					
General Government Support	23,665,560	23,058,681	24,291,865	26,766,057	23,007,280
Public Safety	6,892,070	6,643,828	7,168,884	7,338,478	7,320,517
Health	1,540,334	1,583,050	1,663,637	1,700,508	1,685,890
Transportation	7,031,321	8,299,076	8,116,038	8,519,135	8,626,395
Economic Assistance	1,382,060	1,486,126	1,408,841	1,434,274	1,407,741
Culture & Recreation	9,996,702	10,239,952	10,800,491	10,715,157	11,014,205
Home & Community Services	6,131,241	6,440,250	6,650,998	6,835,782	5,806,573
Employee Benefits	16,244,298	17,272,228	19,810,045	19,728,575	18,461,642
Debt Service	15,995,300	16,479,273	15,989,961	16,725,746	16,132,802
Capital Outlay	234,151	181,584	265,250	306,123	0
Total Expenditures	89,113,037	91,684,048	96,166,010	100,069,835	93,463,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,663,501	6,067,487	5,970,371	(1,052,490)	(6,738,105)
Other Financing Sources (Uses):					
Operating Transfer In	7,645,518	6,225,944	7,176,940	7,573,038	7,021,768
Operating Transfer (Out)	(7,253,766)	(5,273,978)	(6,137,825)	(7,126,886)	(6,146,108)
Refunding Bonds-Net	(376,851)	0	0	0	0
Total Other Financing Sources (Uses)	14,901	951,966	1,039,115	446,152	875,660
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	6,678,402	7,019,453	7,009,486	(606,338)	(5,862,445)
Fund Balance Beginning of Year	42,768,338	49,446,740	56,466,193	63,475,679	67,403,454 (1)
Prior Period Adjustments	0	0	0	0	7,993,777
Fund Balance End of Year	\$49,446,740	\$56,466,193	\$63,475,679	\$62,869,341	\$69,534,786

(1) The 2008 beginning fund balance represents the 2007 unaudited year end figure (2007 shown is audited).

Source: Annual audited (2004-2007) and unaudited (2008) financial statements of the Town of Islip. Financial information for 2008 was provided by the Town. Summary itself not audited.

**Town of Islip
Adopted Budgets - General Fund**

APPENDIX A-1

Year Ended December 31:

	2008	2009
	Adopted General Fund Budget ¹	Adopted General Fund Budget ²
REVENUES		
Real Property Taxes	\$25,824,785	\$25,685,847
Real Property Tax Items	400,000	400,000
Non-Property Tax Items	3,627,800	4,185,000
Departmental Income	19,857,700	8,087,850
Intergovernmental Charges	11,936,000	12,257,700
Use of Money and Property	3,469,200	2,924,500
Licenses & Permits	286,400	312,900
Fines & Forfeitures	302,200	320,000
Sale of Property and Compensation for Loss	47,600	70,100
Miscellaneous	184,500	140,550
Interfund Revenues	2,779,600	3,641,644
Revenues from State Sources	12,726,600	12,919,000
Revenues from Federal Sources	226,500	226,500
Total Revenues	81,668,885	71,171,591
EXPENDITURES		
General Government Support	21,664,785	21,658,755
Public Safety	7,542,600	7,411,600
Health	1,851,800	1,850,800
Transportation	8,910,900	0
Economic Assistance and Opportunity	1,278,500	1,191,200
Culture & Recreation	14,146,050	14,170,300
Home & Community Services	6,009,100	5,890,600
Employee Benefits	22,635,300	19,192,500
Debt Service	16,132,850	17,125,800
Total Expenditures	100,171,885	88,491,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,503,000)	(17,319,964)
Other Financing Sources (Uses):		
Operating Transfer In	0	0
Operating Transfer Out	(105,000)	(2,587,236)
Total Other Financing Sources (Uses)	(105,000)	(2,587,236)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(18,608,000)	(19,907,200)
Fund Balance Beginning of Year³	\$18,608,000	\$19,907,200

¹The 2008 Adopted General Fund Budget includes the Long Island MacArthur Airport.

²The 2009 Adopted General Fund Budget excludes the Long Island MacArthur Airport Fund.

³Anticipated fund balance budgeted as revenue.

Source: 2008 and 2009 Adopted Budgets of the Town of Islip.

**Town of Islip
Balance Sheets
General Fund**

APPENDIX A-2

Year Ended December 31:	<u>2007</u>	<u>2008</u>
	General Fund	General Fund
<u>ASSETS</u>		
Cash and Cash Equivalents	\$79,361,299	\$68,488,545
Accounts Receivable	1,371,892	1,004,015
Due from Other Funds	368,848	245,898
Due from Component Units	1,035,498	0
State and Federal Aid Receivable	33,334	90,535
Due from Other Governments	282,869	5,496,608
Prepaid Expenses	<u>0</u>	<u>178,943</u>
TOTAL ASSETS	<u><u>\$82,453,740</u></u>	<u><u>\$75,504,544</u></u>
<u>LIABILITIES</u>		
Accounts Payable and Accrued Liabilities	\$4,132,653	\$1,503,967
Due to Other Funds	572,347	0
Due to Component Units	21,966	0
Estimated Liability for Landfill Closure	363,100	0
Estimated Liability for Self Insurance	12,489,789	0
Deferred Revenues	947,942	4,465,792
Compensated Absences	<u>1,056,602</u>	<u>0</u>
TOTAL LIABILITIES	<u>19,584,399</u>	<u>5,969,759</u>
<u>FUND EQUITY</u>		
Fund Balance Reserved:		
Encumbrances	14,316,195	20,410,196
Special Reserves	0	13,331,050
Self-Insurance	4,298,254	0
Fund Balance Unreserved:		
Appropriated	0	21,907,200
Designated for OPEB	10,000,000	0
Designated for General Fund	24,829,000	0
Undesignated	<u>9,425,892</u>	<u>13,886,339</u>
TOTAL FUND EQUITY	<u>62,869,341</u>	<u>69,534,785</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$82,453,740</u></u>	<u><u>\$75,504,544</u></u>

Source: Annual audited (2007) and unaudited (2008) financial statements of the Town of Islip. Summary itself not audited.

APPENDIX B

FINANCIAL STATEMENTS

“Such Financial Statements and opinion were prepared as of the date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement

Town of Islip
ANNUAL FINANCIAL REPORT
December 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Islip (the Town) Annual Financial Report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2007.

Overview of the Financial Statements:

This annual report consists of Management's Discussion and Analysis, the basic financial statements, notes to basic financial statements, required supplementary information and a schedule that presents combining Statements of Net Assets for component units.

The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of government.
 1. The governmental funds statements indicate how general government services were financed in the short-term as well as what remains for future applications.
 2. Proprietary fund statements offer short and long-term financial activities the government operates like a business.
 3. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others and their respective resources.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements:

The government-wide statements report information about the Town as a whole using accounting methods similar to those in private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is actually received or paid (accrual basis). The two government-wide statements report the Town's net assets and comment on any respective changes. Net assets, the difference between the Town's assets and liabilities, is one method to measure the Town's financial position. The government-wide financial statements of the Town are divided into three categories:

Government-Wide Statements (continued):

1. Government activities - Most of the Town's basic services are included here.
2. Business-type activities - Represents separate entities that conduct governmental activities that are similar to activities that may be performed by a commercial enterprise.
3. Component units - The Town includes several other entities in its report. Although legally separate, these component units are important because the Town is accountable for them.

Fund Financial Statements:

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to account for specific sources of funding and spending for specific purposes.

The Town has three types of funds:

1. Governmental Funds - Most of the Town's basic services are included in governmental funds, which focus on:
 - a. how cash and other financial assets can be readily converted to cash flow in and out, and
 - b. year end balances.

Consequently, the governmental fund statements provide a detailed short-term view that helps the user determine the level of financial resources available for application in the near future with regard to Town services. Additional information is available at the end of the governmental funds statements that further explains the relationship between them.

2. Proprietary Funds - Services for which the Town charges users a fee are generally reported in these funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
3. Fiduciary Funds - The Town is the trustee, or fiduciary for certain funds and other assets that may, or may not, be restricted by trust arrangement. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. Such activities are excluded from the Town's government-wide financial statement because the Town cannot use these assets to finance its respective operations.

Financial Analysis of the Town as a Whole:

Total assets of the Town for the governmental activities were \$925.9 million, which is an increase of \$10.8 million over the prior year. Total liabilities were \$189.3 million, which was an increase of \$16.5 million over the prior year. This results in a net asset balance of \$736.6 million, which is a decrease of \$5.7 million over the prior year.

Total assets of the Town for the business-type activities were \$90.1 million, which is an increase of \$2.3 million over the prior year. Total liabilities were \$80.2 million, which was a decrease of \$2 million over the prior year. This results in a net asset balance of \$9.9 million, which is an increase of \$4.3 million over the prior year.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS:				
Current and other assets	\$179,086,619	\$162,541,046	\$53,929,151	\$48,114,070
Capital and non-current assets	<u>746,834,809</u>	<u>752,574,913</u>	<u>36,191,348</u>	<u>39,692,059</u>
Total assets	<u>\$925,921,428</u>	<u>\$915,115,959</u>	<u>\$90,120,499</u>	<u>\$87,806,129</u>
LIABILITIES:				
Current liabilities	\$ 27,944,140	\$ 26,386,079	\$ 9,030,207	\$ 8,745,731
Long-term liabilities	<u>161,421,616</u>	<u>146,499,866</u>	<u>71,198,313</u>	<u>73,476,732</u>
Total liabilities	<u>189,365,756</u>	<u>172,885,945</u>	<u>80,228,520</u>	<u>82,222,463</u>
NET ASSETS:				
Invested in capital assets, net of related debt	644,867,337	650,569,207	(4,478,614)	(4,973,170)
Restricted	51,993,084	43,154,845	9,114,908	8,306,588
Unrestricted	<u>39,695,251</u>	<u>48,505,962</u>	<u>5,255,685</u>	<u>2,250,248</u>
Total net assets	<u>\$736,555,672</u>	<u>\$742,230,014</u>	<u>\$ 9,891,979</u>	<u>\$ 5,583,666</u>

Revenues:

The decrease in revenues is primarily due to a drop off in the State Aid - mortgage tax revenue as a result of the slowdown in the housing market that began towards the end of the 2007 fiscal year. The decrease in these revenues were partially offset by increases in interest earnings, property taxes, recreation fees and airport revenues. Additionally, the decrease in capital grants and contributions was due to various airport improvement projects that were completed in 2006. These projects are funded through grants received from the FAA.

The revenue decrease in business-type activities was the result of a decrease in service charge collections. The shortfalls were slightly offset by an increase in interest earnings.

Financial Analysis of the Town as a Whole (continued):

Revenues (continued):

The revenue decrease in governmental activities was due to a decrease in capital grants and contributions. In the prior year, Southwest Airlines constructed a new terminal facility at Long Island MacArthur Airport. The airport is owned by the Town of Islip, so the construction was recorded as a revenue in the prior year. The decrease in these revenues was partially offset by increases in interest earnings, property taxes, mortgage tax and airport revenues.

The revenue increase in business-type activities was the result of an increase in interest earnings and service charge collections. The interest rate market has continued to have a favorable affect on interest earnings in all activities in 2007.

Revenues of the primary government are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General revenues:				
Property taxes	\$ 94,066,285	\$ 93,967,056		
Payment in lieu of taxes	866,030	909,056		
Mortgage taxes	21,438,042	26,059,246		
Interest and penalties on property taxes	416,984	381,999		
Unrestricted investments	11,121,359	9,868,859	\$ 2,719,165	\$ 2,244,340
Special item - sale of property	769,224	16,950		
Charges for services	58,650,960	57,350,784	45,020,085	48,154,341
Operating grants and contributions	10,477,027	10,552,264		
Capital grants and contributions	6,252,682	8,180,105		
Total revenues	<u>\$204,058,593</u>	<u>\$207,286,319</u>	<u>\$47,739,250</u>	<u>\$50,398,681</u>

Expenses:

Expense increases between 2007 and 2006 for governmental activities was generally the result of increases in salaries and related fringe benefits such as health insurance premiums. There was additional increased costs relating to utilities, fuel and diesel and costs relating to municipal solid waste.

In addition to the decrease in service charge collections at the Town's Resource Recovery Agency, there has been a corresponding decrease in the disposal of the solid waste.

Financial Analysis of the Town as a Whole (continued):

Expenses (continued):

Expenses of the primary government are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General government support	\$ 47,731,860	\$ 45,565,221		
Public safety	15,721,862	14,564,263		
Health	7,550,073	6,857,271		
Transportation	47,899,795	41,607,311		
Economic assistance and opportunity	1,568,709	1,529,100		
Culture and recreation	16,538,225	18,384,388		
Home and community services	64,432,122	65,364,434		
Interest on long-term debt	8,280,206	5,350,525		
Town of Islip Foreign Trade Zone Authority			\$ 510,904	\$ 512,191
Islip Resource Recovery Agency			42,785,538	48,203,711
Town of Islip Industrial Development Agency			134,495	158,125
Total expenses	<u>\$209,722,852</u>	<u>\$199,222,513</u>	<u>\$43,430,937</u>	<u>\$48,874,027</u>

Financial Analysis of the Town's Fund Balances:

	<u>Fund Balance</u> <u>December 31,</u> <u>2007</u>	<u>Fund Balance</u> <u>December 31,</u> <u>2006</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Primary government</u>			
General Fund	\$ 62,869,341	\$ 63,475,679	\$ (606,338)
Capital Projects Fund	32,721,089	26,880,487	5,840,602
Passenger Facility Charges Fund	19,271,995	16,274,358	2,997,637
Solid Waste Fund	4,070,761	3,385,611	685,150
Other governmental funds	<u>32,377,931</u>	<u>27,859,021</u>	<u>4,518,910</u>
Total	<u>\$151,311,117</u>	<u>\$137,875,156</u>	<u>\$13,435,961</u>

The Town's General Fund had a decrease in fund balance of approximately \$606,000. Revenues and other financing sources decreased by approximately \$2.7 million and expenditures and other financing uses increased by approximately \$4.9 million. Conservative budgeting of expenses helped to offset the decrease in mortgage tax receipts.

Financial Analysis of the Town's Fund Balances (continued):

Capital Projects Fund balance increased by \$5.8 million. This is due to the timing of when revenues are recorded from the issuance of long-term debt and when the expenditures for the related projects are incurred.

The Passenger Facility Charges Fund balance increased by \$3 million. This is due to the timing of when the expenditures for the related projects are incurred.

In the Solid Waste Fund, the fund balance increased by approximately \$685,000. Overall revenues decreased by approximately \$648,000 and expenses decreased by approximately \$480,000. The decrease in expenditures is due to a decrease in the amount incurred for garbage collections.

The other governmental funds of the Town had an overall increase in fund balance of approximately \$4.5 million. Overall revenues decreased by approximately \$870,000 and overall expenditures and other financing uses decreased by approximately \$1.5 million.

General Fund Budgetary Highlights:

In the current year, the General Fund's final revenue budget showed many adjustments from the original revenue budget. Some of the significant changes are as follows:

- Non-property tax items were increased due to an increase in the amount of franchise fees that the Town received.
- Departmental income was increased due to increased operations at Long Island MacArthur Airport in the parking and concessions area. In addition, parks and recreation fees were also increased due to increased usage.
- The increase in use of money and property is a result of the rise in interest rates throughout 2007.
- During the year, the Town sold a parcel of land and adjusted the revenue budget accordingly.
- The increase in the state aid budget was due to the increase in mortgage tax that the Town received. Actual receipts still exceeded the amended budget.

In the current year, the General Fund's final expenditure and other financing uses budget showed many adjustments from the original budgeted amounts. Some of the significant changes are as follows:

- The Town realized savings in both payroll and employee benefits due to various positions that became vacant from retirements and attrition throughout the year. As a result of these savings, the Town adjusts the budgets.
- The Town is self insured for both workers compensation, as well as general liability. Due to the nature of these expenditures, the Town has to amend the appropriate budget lines throughout the year to settle various claims.
- Various other budget lines were amended for encumbrances that have remained open from the prior year and require funding in the current year.

Capital Assets:

Capital Assets - Governmental Activities:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	Net <u>Increase</u> <u>(Decrease)</u>
<u>Non-depreciable assets:</u>			
Land and improvements	<u>\$306,702,265</u>	<u>\$306,903,041</u>	<u>\$ (200,776)</u>
<u>Depreciable assets:</u>			
Buildings and improvements	\$212,816,956	\$203,556,471	\$ 9,260,485
Machinery and equipment	55,205,395	52,902,621	2,302,774
Infrastructure:			
Airport	208,315,244	204,035,375	4,279,869
Road network	403,778,526	398,782,241	4,996,285
Boardwalks and bulkheads	6,476,760	4,867,222	1,609,538
Drainage network	96,160,935	93,045,104	3,115,831
Water network	<u>3,564,504</u>	<u>3,564,504</u>	<u>-</u>
Total depreciable assets	<u>\$986,318,320</u>	<u>\$960,753,538</u>	<u>\$25,564,782</u>

Capital improvements are made throughout the course of the year and are primarily funded by the issuance of long-term debt, federal and state grants. In 2007, the Town invested approximately \$27.8 million in capital assets and retired approximately \$2.5 million. Capital improvements at Long Island MacArthur Airport and general road and drainage reconstruction were the most significant factors in the increase in capital assets.

Capital Assets - Business-Type Activities:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	Net <u>Increase</u> <u>(Decrease)</u>
<u>Non-depreciable assets:</u>			
Construction in progress	\$ -	\$15,574,856	\$(15,574,856)
Land	<u>801,799</u>	<u>801,799</u>	<u>-</u>
Total non-depreciable assets	<u>\$ 801,799</u>	<u>\$16,376,655</u>	<u>\$(15,574,856)</u>
<u>Depreciable assets:</u>			
Cleanfill facility	\$ 1,278,335	\$ 1,278,335	\$ -
Landfill site improvements	924,180	924,180	-
Buildings	1,180,057	1,180,057	-
Leasehold improvements	611,686	607,128	4,558
Resource recovery facility	83,446,264	67,603,855	15,842,409
Machinery and equipment	<u>6,379,332</u>	<u>7,235,420</u>	<u>(856,088)</u>
Total depreciable assets	<u>\$93,819,854</u>	<u>\$78,828,975</u>	<u>\$ 14,990,879</u>

Capital Assets - Business-Type Activities (continued):

In 2007, the decrease in construction in progress was due to the completion of upgrades at the MacArthur Resource Recovery Facility Incinerator to comply with federal mandated clean-air regulations. These upgrades have been recorded in the Resource Recovery Facility line of depreciable assets.

Debt Administration:

The Town issues both general obligation bond as well as bond anticipation notes for various capital improvements. In 2007, Moody's and Fitch Rating agencies have reaffirmed the Town's bond rating. The reasons stated for such an increase include the Town's sound and prudent management, conservative budget practices and success in affordable housing and economic development.

In 2007, Fitch increased the Town's bond rating from AA to AA+ for the very same reasons. Such rating increases enable the Town to borrow money at lower rates of interest than it had prior to these increases. Such upgrades also make the Town more attractive for economic development.

As of December 31, 2007 and 2006, the total outstanding indebtedness for the Town was \$127,925,000 and \$124,750,000, respectively.

Economic Factors and Next Year's Budget and Rates:

The Town continued the standards of stabilizing taxes and appropriations in both 2008 and 2007.

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>	<u>Increase</u> <u>(Decrease)</u>
Total town-wide budget	\$125,967,882	\$120,622,447	\$5,345,435
<u>Total town-wide tax rate:</u>			
Residential	0.852	0.853	
Commercial	1.176	1.207	

The Town continues to deal with various factors that can significantly affect the budget. As noted earlier, interest rates have been increasing the interest earnings of all Town districts. While the housing market has begun to show a decline, the mortgage tax proceeds in the General Fund have continued to exceed budgeted amounts. In addition, increasing interest rates increase the cost of borrowing for capital projects.

Long Island MacArthur Airport continues to be a successful, self-sustaining operation within the Town's budget. The airport acts as an economic engine benefiting the region by providing increased commercial growth, increased job opportunities and convenient travel. A Hofstra University study has shown that the Airport's economic impact in the region exceeds \$200 million annually. Since 9-11, the airport continues to comply with elevated standards of

Economic Factors and Next Year's Budget and Rates (continued):

security, bearing the costs associated with such federal mandates. Also, as noted earlier, health insurance premiums continue to increase significantly.

Contacting the Town's Financial Management:

This financial report is intended to provide a general overview of the Town's financial situation and demonstrate the Town's accountability for the funds it receives. If you have any questions about this report or need additional information, please contact the Town Comptroller's office.

Town of Islip

BASIC FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

December 31, 2007

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INDEPENDENT AUDITORS' REPORT

The Honorable Phil Nolan, Supervisor
and Members of the Town Board
Town of Islip
Islip, New York 11751

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the combining statement of net assets - component units, each major fund, and the aggregate remaining fund information of the Town of Islip, New York (the Town), as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Islip Resource Recovery Agency, which represents ninety-seven percent, eighty percent and ninety-seven percent, respectively, of the assets, net assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Islip Resource Recovery Agency, is based on the report of the other auditors. We did not audit the financial statements of the Town of Islip Community Development Agency and Islip's Housing Development Fund Company, Inc., which represents one hundred percent of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Honorable Phil Nolan, Supervisor
and Members of the Town Board
Town of Islip
Page 2

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, the combining statement of net assets - component units, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007, and respective changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages i through ix and 85 through 86, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sheehan & Company, C.P.A., P.C.

December 19, 2008

Town of Islip

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 171,320,223	\$ 36,255,367	\$ 207,575,590	\$ 4,538,280
Escrow funds	-	-	-	224,784
Accounts receivable, net	2,265,728	1,448,239	3,713,967	-
Note receivable, net of unearned interest of \$64,003	-	592,602	592,602	-
Loans and mortgages receivable:				
Due within one year	-	-	-	305,909
Due in more than one year	-	-	-	9,111,009
Grants receivable	-	-	-	-
Tenant security deposits	-	-	-	-
Due from other governments	282,869	68,577	351,446	436,848
Due from Agency Fund	-	-	-	-
State and federal receivables	4,445,516	-	4,445,516	-
Internal balances	772,283	263,215	1,035,498	-
Prepaid expenses	-	204,180	204,180	87,965
Land and buildings held for resale	-	-	-	15,168,559
Restricted assets:				
Cash and cash equivalents	-	1,840,942	1,840,942	660,070
Investments	-	13,256,029	13,256,029	-
Capital assets:				
Land, improvements and construction in progress	306,702,265	801,799	307,504,064	1,600,650
Other capital assets, net of depreciation	440,132,544	34,249,425	474,381,969	3,463,119
Deferred charges, net of amortization of \$1,378,333	-	1,140,124	1,140,124	-
Total assets	<u>\$ 925,921,428</u>	<u>\$ 90,120,499</u>	<u>\$1,016,041,927</u>	<u>\$35,597,193</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 10,680,403	\$ 2,986,896	\$ 13,667,299	\$ 920,338
Due to other governments	-	418,176	418,176	5,013
Internal balances	-	1,035,498	1,035,498	-
Deferred revenue	2,708,185	9,637	2,717,822	-
Security deposit	-	-	-	34,885
Long-term liabilities:				
Due in one year	14,555,552	4,580,000	19,135,552	866,854
Due in more than one year	161,421,616	71,198,313	232,619,929	8,665,221
Total liabilities	<u>189,365,756</u>	<u>80,228,520</u>	<u>269,594,276</u>	<u>10,492,311</u>
Net assets:				
Invested in capital assets, net of related debt	644,867,337	(4,478,614)	640,388,723	3,894,439
Restricted for capital projects	32,721,089	-	32,721,089	-
Restricted for Passenger Facility Charges Program	19,271,995	-	19,271,995	-
Restricted	-	9,114,908	9,114,908	12,823,227
Unrestricted	39,695,251	5,255,685	44,950,936	8,387,216
Total net assets	<u>736,555,672</u>	<u>9,891,979</u>	<u>746,447,651</u>	<u>25,104,882</u>
 Total liabilities and net assets	<u>\$ 925,921,428</u>	<u>\$ 90,120,499</u>	<u>\$1,016,041,927</u>	<u>\$35,597,193</u>

See notes to basic financial statements

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Town of Islip

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Component Units
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 47,731,860	\$ 25,211,071	\$ 19,035	\$ -	\$ (22,501,754)	\$ (22,501,754)	
Public safety	15,721,862	1,097,027	-	-	(14,624,835)	(14,624,835)	
Health	7,550,073	276,965	855,256	-	(6,417,852)	(6,417,852)	
Transportation	47,899,795	18,230,914	-	6,052,281	(23,616,600)	(23,616,600)	
Economic assistance	1,568,709	-	-	-	(1,568,709)	(1,568,709)	
Culture and recreation	16,538,225	7,185,107	1,959,748	200,401	(7,192,969)	(7,192,969)	
Home and community services	64,432,122	6,649,876	7,642,988	-	(50,139,258)	(50,139,258)	
Interest on long-term debt	8,280,206	-	-	-	(8,280,206)	(8,280,206)	
Total governmental activities	<u>209,722,852</u>	<u>58,650,960</u>	<u>10,477,027</u>	<u>6,252,682</u>	<u>(134,342,183)</u>	<u>(134,342,183)</u>	
Business-type activities:							
Town of Islip Foreign Trade Zone Authority	510,904	493,923	-	-	-	\$ (16,981)	(16,981)
Islip Resource Recovery Agency	42,785,538	43,966,082	-	-	-	1,180,544	1,180,544
Town of Islip Industrial Development Agency	134,495	560,080	-	-	-	425,585	425,585
Total business-type activities	<u>43,430,937</u>	<u>45,020,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,589,148</u>	<u>1,589,148</u>
Total primary government	<u>253,153,789</u>	<u>103,671,045</u>	<u>10,477,027</u>	<u>6,252,682</u>	<u>(134,342,183)</u>	<u>1,589,148</u>	<u>(132,753,035)</u>
COMPONENT UNITS:							
Town of Islip Community Development Agency	4,698,768	2,134,128	5,070,022	-	-	\$ 2,505,382	2,505,382
Islip Housing Development Fund Company, Inc.	436,434	476,557	-	-	-	40,123	40,123
Total component units	<u>\$ 5,135,202</u>	<u>\$ 2,610,685</u>	<u>\$ 5,070,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,545,505</u>	<u>2,545,505</u>
General Revenues:							
Taxes:							
Property taxes					94,066,285	-	94,066,285
Other payments in lieu of taxes					866,030	-	866,030
State aid (mortgage tax) - not restricted to specific program					21,438,042	-	21,438,042
Interest and penalties on real property taxes					416,984	-	416,984
Unrestricted investment earnings					11,121,359	2,719,165	13,840,524
Miscellaneous					-	-	462,093
Special item - sale of property					769,224	-	769,224
Transfers					-	-	226,424
Total general revenues, special items and transfers					<u>128,677,924</u>	<u>2,719,165</u>	<u>131,397,089</u>
Cumulative effect of accounting change on years prior to 2006					-	-	-
Change in net assets					(5,664,259)	4,308,313	(1,355,946)
Net assets, beginning of year					742,230,014	5,583,666	747,813,680
Reclassification adjustment/prior period adjustment					(10,083)	-	10,083
Net assets, beginning of year, restated					742,219,931	5,583,666	747,803,597
Net assets, end of year					<u>\$ 736,555,672</u>	<u>\$ 9,891,979</u>	<u>\$ 746,447,651</u>

See notes to basic financial statements

Town of Islip

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2007

	General Fund	Capital Projects Fund	Passenger Facility Charges Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 79,361,299	\$ 31,273,580	\$ 18,695,809	\$ 4,201,370	\$ 37,788,165	\$ 171,320,223
Accounts receivable, net	1,371,892	-	656,278	-	237,558	2,265,728
Due from other funds	368,848	553,746	-	-	18,601	941,195
Due from component units	1,035,498	-	-	-	-	1,035,498
State and federal receivables	33,334	4,095,113	-	-	260,349	4,445,516
Due from other governments	282,869	-	-	56,720	-	282,869
Total assets	<u>\$ 82,453,740</u>	<u>\$ 35,922,439</u>	<u>\$ 19,352,087</u>	<u>\$ 4,258,090</u>	<u>\$ 38,304,673</u>	<u>\$ 180,291,029</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 4,132,653	\$ 1,908,156	\$ 80,092	\$ 19,767	\$ 3,163,467	\$ 9,304,135
Due to other funds	572,347	-	-	-	368,848	941,195
Due to component units	21,966	-	-	156,774	84,475	263,215
Estimated liability for landfill closure and post closure costs	363,100	-	-	-	-	363,100
Estimated liability for self-insurance	12,489,789	-	-	-	-	12,489,789
Deferred revenues	947,942	1,293,194	-	-	2,028,965	4,270,101
Compensated absences	1,056,602	-	-	10,788	280,987	1,348,377
Total liabilities	<u>19,584,399</u>	<u>3,201,350</u>	<u>80,092</u>	<u>187,329</u>	<u>5,926,742</u>	<u>28,979,912</u>
Fund balances:						
Reserved for:						
Encumbrances	14,316,195	-	-	1,055	4,036,184	18,353,434
Self-insurance	4,298,254	-	-	-	-	4,298,254
Trust	-	-	-	-	1,072,483	1,072,483
Unreserved:						
Designated for Length of Service Award Program	-	-	-	-	191,679	191,679
Designated for other post-employment benefits	10,000,000	-	-	-	2,600,000	12,600,000
Designated for next year's budget:						
General Fund	24,829,000	-	-	-	-	24,829,000
Special Revenue Funds	-	-	-	50,000	3,961,500	4,011,500
Undesignated:						
General Fund	9,425,892	-	-	-	-	9,788,992
Special Revenue Funds	-	-	-	4,019,706	20,516,085	24,535,791
Capital Project Funds	-	32,721,089	-	-	-	32,357,989
Passenger Facility Charges Fund	-	-	19,271,995	-	-	19,271,995
Total fund balances	<u>62,869,341</u>	<u>32,721,089</u>	<u>19,271,995</u>	<u>4,070,761</u>	<u>32,377,931</u>	<u>151,311,117</u>
Total liabilities and fund balances	<u>\$ 82,453,740</u>	<u>\$ 35,922,439</u>	<u>\$ 19,352,087</u>	<u>\$ 4,258,090</u>	<u>\$ 38,304,673</u>	<u>\$ 180,291,029</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Some income items, including deferred revenue, are not received in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

	746,834,809
	(163,152,170)
	<u>1,561,916</u>
	<u>\$ 736,555,672</u>

See notes to basic financial statements

Town of Islip

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2007

	General Fund	Capital Projects Fund	Passenger Facility Charges Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Real property taxes	\$ 25,667,517	\$ -	\$ -	\$ 39,688,868	\$ 28,709,900	\$ 94,066,285
Real property tax items	900,318	-	-	-	382,696	1,283,014
Non-property tax items	4,164,264	-	-	-	-	4,164,264
Departmental income	20,772,346	-	-	4,646	7,045,988	27,822,980
Intergovernmental charges	12,644,395	-	-	-	-	12,644,395
Use of money and property	6,493,542	12,392	868,000	1,412,420	2,781,163	11,567,517
Licenses and permits	321,053	-	-	-	92,813	413,866
Fines and forfeitures	381,187	-	-	-	365,562	746,749
Sales of property and compensation for loss	1,451,609	-	-	-	45,235	1,496,844
Miscellaneous local sources	423,664	859,233	4,852,253	-	-	6,135,150
Interfund revenues	2,661,467	-	-	-	-	2,661,467
State aid	22,812,187	2,545,340	2,258	56,720	3,400,125	28,816,630
Federal aid	323,796	4,858,536	-	-	4,591,243	9,773,575
Total revenues	99,017,345	8,275,501	5,722,511	41,162,654	47,414,725	201,592,736
Expenditures:						
General government support	26,766,057	-	-	-	1,480,154	28,246,211
Public safety	7,338,478	-	-	-	3,371,449	10,709,927
Health	1,700,508	-	-	-	5,024,698	6,725,206
Transportation	8,519,135	-	-	-	11,727,462	20,246,597
Economic assistance and opportunity	1,434,274	-	-	-	-	1,434,274
Culture and recreation	10,715,157	-	-	-	2,291,834	13,006,991
Home and community services	6,835,782	-	-	39,999,073	11,428,291	58,263,146
Employee benefits	19,728,575	-	-	290,674	6,218,467	26,237,716
Debt service:						
Principal	11,911,311	-	1,162,200	-	301,489	13,375,000
Interest	4,814,435	-	398,968	-	108,298	5,321,701
Capital outlay	306,123	19,538,645	1,163,706	52,384	69,065	21,129,923
Total expenditures	100,069,835	19,538,645	2,724,874	40,342,131	42,021,207	204,696,692
Excess of revenues over (under) expenditures	(1,052,490)	(11,263,144)	2,997,637	820,523	5,393,518	(3,103,956)
Other financing sources (uses):						
Transfers in	7,573,038	553,746	-	-	-	8,126,784
Transfers out	(7,126,886)	-	-	(135,373)	(864,525)	(8,126,784)
Proceeds of refunding bonds	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Proceeds of general long-term debt issued	-	16,550,000	-	-	-	16,550,000
Total other financing sources (uses)	446,152	17,103,746	-	(135,373)	(864,525)	16,550,000
Net change in fund balances	(606,338)	5,840,602	2,997,637	685,150	4,528,993	13,446,044
Fund balances, beginning of year	63,475,679	26,880,487	16,274,358	3,385,611	27,859,021	137,875,156
Reclassification adjustment	-	-	-	-	(10,083)	(10,083)
Fund balances, beginning of year, restated	63,475,679	26,880,487	16,274,358	3,385,611	27,848,938	137,865,073
Fund balances, end of year	\$ 62,869,341	\$ 32,721,089	\$ 19,271,995	\$ 4,070,761	\$ 32,377,931	\$ 151,311,117

See notes to basic financial statements

Town of Islip

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES

For the Year Ended December 31, 2007

Net change in fund balances - total Governmental Funds	\$13,446,044
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount of capital assets recorded in the current period.	23,506,104
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the Governmental Funds.	(33,344,074)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Bond proceeds	(16,550,000)
Payment of bond principal	13,375,000
Payment on installment contract	135,659
Accrued interest on long-term debt is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from prior year.	(120,698)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. The following amounts represent the changes in the amounts accrued from the prior year:	
Landfill closure and post closure costs	363,100
Compensated absences	903,563
Deferred lag payroll	28,388
Net OPEB obligation	(6,719,111)
Deferred revenue - Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(688,234)</u>
Change in net assets of governmental activities	<u>\$ (5,664,259)</u>

See notes to basic financial statements

Town of Islip

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

December 31, 2007

	Enterprise Funds			Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 318,461	\$33,952,746	\$ 1,984,160	\$36,255,367
Accounts receivable, net	3,504	1,251,135	96,800	1,351,439
Note receivable, current portion, net of unearned interest of \$24,214	-	135,121	-	135,121
Due from other governments	-	68,577	-	68,577
Due from primary government	-	263,215	-	263,215
Prepaid expenses	324	203,856	-	204,180
Total current assets	322,289	35,874,650	2,080,960	38,277,899
Noncurrent assets:				
Accounts receivable, long-term	-	-	96,800	96,800
Note receivable, less current portion, net of unearned interest of \$39,789	-	457,481	-	457,481
Sub-total	-	457,481	96,800	554,281
Capital assets:				
Land, improvements and construction in progress	-	801,799	-	801,799
Other capital assets, net of depreciation	304,631	33,930,424	14,370	34,249,425
Total capital assets, net	304,631	34,732,223	14,370	35,051,224
Restricted assets:				
Cash and cash equivalents	-	1,840,942	-	1,840,942
Investments	-	13,256,029	-	13,256,029
Total restricted assets	-	15,096,971	-	15,096,971
Deferred charges:				
Bond financing costs, net of cumulative amortization of \$1,378,333	-	1,140,124	-	1,140,124
Total non-current assets	304,631	51,426,799	111,170	51,842,600
Total assets	\$ 626,920	\$87,301,449	\$ 2,192,130	\$90,120,499

See notes to basic financial statements

Town of Islip

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

December 31, 2007

	Enterprise Funds			Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	
Liabilities:				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 1,279,298	\$ -	\$ 1,279,298
Accounts payable and accrued expenses	25,695	1,855,862	1,250	1,882,807
Due to other governments	-	224,576	96,800	321,376
Due to primary government	538,381	497,117	-	1,035,498
Current portion of estimated liability for landfill closure and post closure costs	-	820,000	-	820,000
Deferred income, current portion	9,637	-	-	9,637
Total current liabilities	573,713	4,676,853	98,050	5,348,616
Current liabilities payable from restricted assets:				
Current portion of long-term debt	-	2,480,702	-	2,480,702
Accrued interest on bonds	-	1,104,089	-	1,104,089
Total current liabilities payable from restricted assets	-	3,584,791	-	3,584,791
Noncurrent liabilities:				
Long-term debt, less current portion	-	35,769,838	-	35,769,838
Due to other governments, less current portion	-	-	96,800	96,800
Estimated liability for landfill closure and post closure costs	-	34,834,384	-	34,834,384
Compensated absences	17,139	540,884	-	558,023
Deferred payroll	3,190	-	-	3,190
Other post-employment benefit obligation	32,878	-	-	32,878
Total noncurrent liabilities	53,207	71,145,106	96,800	71,295,113
Total liabilities	626,920	79,406,750	194,850	80,228,520
Net assets:				
Invested in capital assets, net of related debt	304,631	(4,797,615)	14,370	(4,478,614)
Restricted	-	9,114,908	-	9,114,908
Unrestricted (deficit)	(304,631)	3,577,406	1,982,910	5,255,685
Total net assets	-	7,894,699	1,997,280	9,891,979
 Total liabilities and net assets	 \$ 626,920	 \$ 87,301,449	 \$ 2,192,130	 \$ 90,120,499

See notes to basic financial statements

Town of Islip

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended December 31, 2007

	Enterprise Funds			Totals
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	
Operating revenues:				
Charges and fees	\$ 127,599	\$ 39,764,703	\$ 560,080	\$40,452,382
Rentals and royalties	366,324	157,000	-	523,324
Sales	-	4,044,379	-	4,044,379
Total operating revenues	<u>493,923</u>	<u>43,966,082</u>	<u>560,080</u>	<u>45,020,085</u>
Operating expenses:				
Personal services	162,371	1,682,231	-	1,844,602
Employee benefits	119,192	1,199,071	-	1,318,263
Bad debt	589	-	-	589
Contractual goods and services	133,697	33,923,061	132,393	34,189,151
Depreciation	17,630	3,639,058	2,102	3,658,790
Judgments and claims	-	-	-	-
Total operating expenses	<u>433,479</u>	<u>40,443,421</u>	<u>134,495</u>	<u>41,011,395</u>
Operating income (loss)	<u>60,444</u>	<u>3,522,661</u>	<u>425,585</u>	<u>4,008,690</u>
Non-operating revenues (expenses):				
Grants	-	-	-	-
Interest income and amortization	16,981	2,568,841	133,343	2,719,165
Debt service	-	(2,342,117)	-	(2,342,117)
Total non-operating revenues (expenses)	<u>16,981</u>	<u>226,724</u>	<u>133,343</u>	<u>377,048</u>
Income (loss) before rent obligations	77,425	3,749,385	558,928	4,385,738
Rent expense	<u>(77,425)</u>	<u>-</u>	<u>-</u>	<u>(77,425)</u>
Change in net assets	-	3,749,385	558,928	4,308,313
Net assets, beginning of year	<u>-</u>	<u>4,145,314</u>	<u>1,438,352</u>	<u>5,583,666</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 7,894,699</u>	<u>\$ 1,997,280</u>	<u>\$ 9,891,979</u>

See notes to basic financial statements

Town of Islip

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2007

Cash flows from operating activities:	Enterprise Funds			
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Totals
Cash received from customers, clients and tenants	\$ 521,929	\$ 44,585,251	\$ 560,080	\$45,667,260
Cash received from payments in lieu of taxes	-	-	8,529,646	8,529,646
Cash payments:				
Personal services and employee benefits	(244,075)	(2,974,130)	-	(3,218,205)
Contractual expenses	(138,638)	(32,075,203)	(144,345)	(32,358,186)
Payments in lieu of taxes	-	-	(8,529,646)	(8,529,646)
Net cash provided by operating activities	139,216	9,535,918	415,735	10,090,869
Cash flows from capital and related financing activities:				
Acquisition, construction and improvements of capital assets	(22,857)	(306,205)	-	(329,062)
Principal payments on revenue bonds	-	(3,545,000)	-	(3,545,000)
Interest payments on revenue bonds	-	(2,422,352)	-	(2,422,352)
Net cash used by capital and related financing activities	(22,857)	(6,273,557)	-	(6,296,414)
Cash flows from investing activities:				
Proceeds from sale or redemption of investment securities	-	28,806,307	-	28,806,307
Purchase of investment securities	-	(29,517,085)	-	(29,517,085)
Interest income	16,981	2,569,767	133,343	2,720,091
Net cash provided by investing activities	16,981	1,858,989	133,343	2,009,313
Net increase (decrease) in cash and cash equivalents	133,340	5,121,350	549,078	5,803,768
Cash and cash equivalents, beginning of year	185,121	30,672,338	1,435,082	32,292,541
Cash and cash equivalents, end of year	\$ 318,461	\$ 35,793,688	\$ 1,984,160	\$38,096,309
		(A)		
(A) Reconciliation of total cash and cash equivalents:				
Current assets - cash and cash equivalents		\$ 33,952,746		
Restricted assets - cash and cash equivalents		1,840,942		
Total cash and cash equivalents		\$ 35,793,688		

See notes to basic financial statements

Town of Islip

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2007

	Enterprise Funds			
	Town of Islip Foreign Trade Zone Authority	Islip Resource Recovery Agency	Town of Islip Industrial Development Agency	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 60,444	\$3,522,661	\$ 425,585	\$ 4,008,690
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	17,630	3,639,058	2,102	3,658,790
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	23,845	452,349	54,000	530,194
Note receivable	-	170,409	-	170,409
Due from other governments	-	(1,852)	-	(1,852)
Due from primary government	-	(1,736)	-	(1,736)
Prepaid expenses and deferred charges	(132)	1,656	-	1,524
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(3,793)	597,120	(11,952)	581,375
Due to other governments	-	(72,424)	(54,000)	(126,424)
Due to primary government	-	(359,977)	-	(359,977)
Estimated liability for landfill closure and post closure costs	-	1,681,197	-	1,681,197
Compensated absences	4,183	(92,543)	-	(88,360)
Deferred income	4,161	-	-	4,161
Postretirement benefits	32,878	-	-	32,878
Total adjustments	78,772	6,013,257	(9,850)	6,082,179
Net cash provided by operating activities	\$ 139,216	\$9,535,918	\$ 415,735	\$10,090,869

See notes to basic financial statements

Town of Islip

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

December 31, 2007

Assets:

Cash and cash equivalents	<u>\$ 15,135,640</u>
Total assets	<u>\$ 15,135,640</u>

Liabilities:

Agency liabilities:	
Airport	\$ 17,985
Planning/housing	1,903,565
Human resources	61,220
Other	4,198,689
Payroll and related items	1,907
Cash, bonds and certified checks as security	<u>8,952,274</u>
Total liabilities	<u>\$ 15,135,640</u>

See notes to basic financial statements

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Town of Islip

STATEMENT OF FIDUCIARY NET ASSETS PRIVATE - PURPOSE TRUST FUNDS

December 31, 2007

Assets:

Cash and cash equivalents \$ 6,731

Total assets \$ 6,731

Net assets:

Held in trust for trust beneficiaries \$ 6,731

See notes to basic financial statements

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Town of Islip

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE - PURPOSE TRUST FUNDS

For the Year Ended December 31, 2007

Additions:	
Donations and grants	\$ 168,003
Total additions	<u>168,003</u>
Deductions:	
Distributions to beneficiaries	<u>168,003</u>
Total deductions	<u>168,003</u>
Change in net assets	-
Net assets, beginning of year	<u>6,731</u>
Net assets, end of year	<u>\$ 6,731</u>

See notes to basic financial statements

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Town of Islip

COMBINING STATEMENT OF NET ASSETS COMPONENT UNITS

June 30, 2007

	<u>Town of Islip Community Development Agency</u>	<u>Islip's Housing Development Fund Company, Inc.</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,893,780	\$ 1,644,500	\$ 4,538,280
Escrow funds	224,784	-	224,784
Loans and mortgages receivable:			
Due within one year	304,096	1,813	305,909
Due in more than one year	9,057,697	53,312	9,111,009
Due from other governments	414,560	22,288	436,848
Prepaid expenses	83,577	4,388	87,965
Land and buildings held for resale	15,168,559	-	15,168,559
Restricted assets:			
Cash and cash equivalents	-	660,070	660,070
Capital assets:			
Land, improvements and construction in progress	517,383	1,083,267	1,600,650
Other capital assets, net of depreciation	<u>2,419,763</u>	<u>1,043,356</u>	<u>3,463,119</u>
Total assets	<u>\$ 31,084,199</u>	<u>\$ 4,512,994</u>	<u>\$ 35,597,193</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 472,737	\$ 447,601	\$ 920,338
Due to other governments	5,013	-	5,013
Tenant security deposits	-	34,885	34,885
Long-term liabilities:			
Due within one year	769,859	96,995	866,854
Due in more than one year	<u>8,018,125</u>	<u>647,096</u>	<u>8,665,221</u>
Total liabilities	<u>9,265,734</u>	<u>1,226,577</u>	<u>10,492,311</u>
Net assets:			
Invested in capital assets, net of related debt	2,937,146	957,293	3,894,439
Restricted	12,198,042	625,185	12,823,227
Unrestricted	<u>6,683,277</u>	<u>1,703,939</u>	<u>8,387,216</u>
Total net assets	<u>21,818,465</u>	<u>3,286,417</u>	<u>25,104,882</u>
 Total liabilities and net assets	 <u>\$ 31,084,199</u>	 <u>\$ 4,512,994</u>	 <u>\$ 35,597,193</u>

See notes to basic financial statements

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Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The accompanying financial statements of the Town of Islip (the Town) have been prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB).

The 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.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

A. Reporting entity

The Town, which was established in 1683, is classified as a suburban Town and is governed by its charter, Town law and other general laws of the State of New York and various local laws and ordinances. The Town Board is the legislative body responsible for overall operations; the Supervisor serves as Chief Executive Officer and also the Chief Fiscal Officer, although, pursuant to local law of the Town, certain financial functions of the Town are the responsibility of the Comptroller.

The following basic services are provided to all or part of the Town: fire protection, sanitation, snow removal, recreation, planning, street maintenance, lighting, water, airport, ambulance and medical.

All governmental activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

A. Reporting entity (continued)

The financial reporting entity consists of (a) the primary government, which is the Town of Islip, (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 as set forth in GASB Statements 14 and 39. The Town of Islip Receiver of Taxes (the Receiver) is included in the Town's financial statements. The Receiver has a November 30 fiscal year end. Its operating activities are included in the Town's General Fund, and its property tax custodial activities are included in the Agency Fund. The effect of the inclusion of the Receiver's activities for the year ended November 30, 2007, within the Town's General and Agency Funds, does not distort the Town's financial statements for the year ended December 31, 2007.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB Statements 14 and 39 including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the Town's reporting entity.

Included in the reporting entity:

Blended component units

The blended component units are blended into the primary government as proprietary major funds (enterprise funds) in the fund financial statements and as business-type activities in the government-wide financial statements.

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

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

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

A. Reporting entity (continued)

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

The **Islip Resource Recovery Agency** was authorized by the New York State Legislature and established by a referendum approved by a majority of the Town's voters in 1982 as a body corporate and politic constituting a public benefit corporation and a public authority of the State pursuant to the Islip Resource Recovery Act (the Act).

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

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

Discretely presented component units

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

The **Town of Islip Community Development Agency** was organized in 1976 as a public benefit corporation under the Urban Renewal Law. The Town of Islip Community Development Agency is the successor to the Town of Islip Urban

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

A. Reporting entity (continued)

Renewal Agency, which was established in 1974. The Urban Renewal Law grants to the Town of Islip Community Development Agency broad community development urban renewal powers, including residential rehabilitation and development, assisting financially with constructing, acquiring, rehabilitating and improving industrial and manufacturing plants and conducting municipal improvements.

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

Islip's Housing Development Fund Company, Inc. is a New York governmental not-for-profit corporation that was organized in 1990 under the Private Housing Finance Law of the State, the Not-For-Profit Corporation Law of the State and Internal Revenue Code Section 501(c)(3) and is not a private foundation as described in Section 509(a) of the Code. Islip's Housing Development Fund Company, Inc. acts as agent of the Town of Islip Community Development Agency. Under the Private Housing Finance Law and its certificate of incorporation and by-laws, Islip's Housing Development Fund Company, Inc. is authorized to develop housing projects, within the Town of Islip, New York for persons and families of low income who cannot afford to pay enough to cause private enterprise in their municipality to build a sufficient supply of adequate, safe and sanitary dwellings.

Complete copies of the financial statements of the component units can be obtained by contacting their administrative offices at the following address:

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

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

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

A. Reporting entity (continued)

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

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

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

Related Organizations

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

B. Basic financial statements

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Basic financial statements (continued)

Government-wide financial statements (continued)

the interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or component unit.

Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Town does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Town's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

B. Basic financial statements (continued)

Fund financial statements (continued)

The 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 to be 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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual by the Town are grants, property taxes, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

C. Basis of presentation

The financial transactions of the Town are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are reported by type in the financial statements.

The GASB financial reporting model, as defined in Statement No. 34, established criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The Town reports the following major funds:

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

C. Basis of presentation (continued)

Major funds:

Governmental:

General Fund

The General Fund accounts for all activities of the Town not specifically required to be accounted for in other funds. Included are transactions for services such as public safety, transportation, economic development, culture and recreation, home and community services, public health and general government. Debt service is also accounted for in the General Fund.

Capital Projects Fund

This fund accounts for financial resources used for the acquisition, construction, or improvement of major capital assets (other than those financed by proprietary funds).

These resources are derived from proceeds of the public improvement bonds issued and grants.

Passenger Facility Charges Fund

The Passenger Facility Charges Fund is used to account for passenger facility charge fees, which are charged for every enplaned passenger at Long Island MacArthur Airport, and to account for the expenditures related to FAA approved projects. The approved projects are granted to enhance safety security, or capacity; reduce noise; or increase air carrier competition.

Solid Waste Fund

The Solid Waste Fund is a special revenue fund, which accounts for the revenues and expenditures related to the management of the Town's solid waste stream.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

C. Basis of presentation (continued)

Major funds (continued):

Proprietary (Enterprise):

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public.

Town of Islip Foreign Trade Zone Authority

The Town of Islip Foreign Trade Zone Authority allows for its tenants, importers and manufacturers to warehouse goods or manufacture products with foreign-made components, while deferring the payment of customs duty and excise taxes until goods are transferred from the Trade Zone into the United States.

Islip Resource Recovery Agency

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

Town of Islip Industrial Development Agency

The Town of Islip Industrial Development Agency was created for the purpose of encouraging economic growth within the Town by issuing negotiable bonds and notes.

Fiduciary:

Agency Funds

These funds account for the assets held for distribution by the Town as an agent for other governmental units, other entities or individuals.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Major funds (continued):

Fiduciary (continued):

Private Purpose Trust Funds

These funds account for all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

D. Basis of accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both the governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Property taxes

All real property assessments are made by the Town. Real property tax payments are due in two equal installments; the first half payable on December 1 (lien and levy date) preceding the year for which the same is levied and the second half

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

E. Property taxes (continued)

payable May 10, with the first half payable without penalty to January 10 and the second half payable without penalty to May 31. After May 31, all taxes must be paid to the Suffolk County Treasurer with a 5% penalty charge, and interest at the rate of 1% per month from February 1.

The Town of Islip Receiver of Taxes collects all real estate taxes for the Town, Suffolk County, school districts and special districts purposes. The Town of Islip Receiver of Taxes distributes the collected money to the Town, school districts and special districts prior to distributing the balance collected to Suffolk County. All payments made to the Town are made in the year for which the tax has been levied. The Town of Islip Receiver of Taxes turns over uncollected items to the Suffolk County Treasurer who continues the collection of these items. Responsibility for the collection of unpaid taxes rests with Suffolk County.

F. Budgetary data

The Supervisor, with the assistance of the Comptroller (acting in his capacity as Budget Officer), prepares a preliminary budget (for all general and special revenue type funds) each year and holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board as its final budget for the coming fiscal year. The budget is not subject to referendum. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects; however, budgetary compliance is determined on an overall fund basis.

Budget modifications must be approved by the Town Board.

All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded for budgetary control purposes, to reserve that portion of the applicable appropriation,

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

G. Encumbrances (continued)

is employed in the general and special revenue type funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year end lapse and do not constitute expenditures or liabilities because commitments will be re-appropriated during the subsequent year.

H. Landfill closure and post closure costs

Capital Projects Fund

State and federal laws require the Town to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town reports a portion of these post closure care costs as an operating expense in each period based on estimated amounts as of each balance sheet date.

The Town currently has one site, which is required by law to incur these costs. The landfill has been capped and closed. The landfill has been identified by the New York State Department of Environmental Conservation (NYSDEC) as a Class 2 Inactive Hazardous Waste Site. Currently, the landfill is in the final phase, which includes post closure monitoring and maintenance costs, which do not qualify for funding under the New York State Environmental Quality Bond Act (EQBA).

The estimated liability for landfill post closure monitoring and maintenance care of \$9,497,800 is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfill were acquired as of December 31, 2007. However, the actual costs of post closure monitoring and maintenance care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town funds the post closure monitoring and maintenance costs through the issuance of serial bonds and bond anticipation notes. The Town is not required by state and federal laws and regulations to make annual contributions to finance post closure care for this site.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

H. Landfill closure and post closure costs (continued)

Enterprise Funds (Islip Resource Recovery Agency)

State and federal laws and regulations require the Islip Resource Recovery Agency to place a final cover on its landfill sites when the sites are filled to capacity and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Although closure and post closure care costs will be paid after the sites cease to accept waste, the Islip Resource Recovery Agency is required to report the costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The Islip Resource Recovery Agency currently has three sites, which are required by law to incur these costs. One landfill has been capped and closed, one landfill is inactive and a cleanfill landfill, Phase I and II, which is currently active. The closed landfill has been designated as a superfund site by the NYSDEC. As such, the closure qualifies for funding under the EQBA. Under the terms of the program, the Islip Resource Recovery Agency will be reimbursed a maximum of 75% of allowable costs of the closure. The liability for the site has been reduced by \$4,000,000 to reflect the 50% reimbursement of allowable costs. The NYSDEC has classified the inactive site as non-hazardous.

The estimated liability for landfill closure and post closure care costs has a balance of \$35,654,384 as of December 31, 2007. The amounts recognized for the clean fill, Phase I and II are based on the usage of 80.49% and 80.05% of the capacities for Phase I and II, respectively. It is estimated that an additional \$3,470,000 will be recognized as closure and post closure care expenses between December 31, 2007 and 2012, the date the site is expected to be filled to capacity.

The estimated total current cost of the landfill closure and post closure care of \$35,654,384 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfills were acquired as of December 31, 2007. However, the actual costs of closure and post closure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Islip Resource Recovery Agency is not required by state and federal laws and regulations to make annual contributions to finance closure and post closure care for these sites.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

I. Cash and cash equivalents

Custodial credit risk - deposits: 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. The Town's investment policies are governed by State statutes. In addition, the Town has a written investment policy stating that Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks located within the state. The Town's Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include time deposit accounts, obligations of the United States and its agencies, obligations of New York State and repurchase agreements of obligations of the United States and its agencies.

Collateral is required for demand deposits and time deposits accounts for at least 102% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State and its municipalities.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized;
- Collateralized with securities held by the pledging financial institution in the Town's name 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, 2007, the Town's bank balances were \$227,817,807. Of the bank balances, \$510,000 was covered by FDIC insurance and \$227,307,807 was secured by collateral held by the Town's agency, a third party financial institution, in the Town's name.

At December 31, 2007, the bank balances of the Town's blended component units and discretely presented component units were entirely covered by FDIC insurance and/or collateral.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

J. Investments

Custodial credit risk - investments: 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.

The Town of Islip and Islip Resource Recovery Agency have formulated an investment policy which allows investments in certificates of deposit, time deposits, obligations of the United States, obligations of New York State, repurchase agreements of obligations of the United States and obligations of agencies of the federal government where principal and interest are guaranteed by the United States.

All investments are made pursuant to this investment policy and comply with applicable provisions of state and federal law. In addition, the written investment policy requires certificates of deposit and time deposit accounts to be fully covered by FDIC, or by the delivery of authorized investments (collateralized).

During 2007, the Islip Resource Recovery Agency invested directly in federal obligations with financial institutions approved by the Islip Resource Recovery Agency's Board of Directors. The investments are fully collateralized by a trustee agreement with the Town. At December 31, 2007, the carrying value and the market value of these investments were equivalent.

Investments of the Islip Resource Recovery Agency are categorized by level of credit risk (the risk that a counter party to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which securities are held by the Agency or its agent in the Agency's name. Category 2, includes investments that are uninsured or unregistered with securities held by the counter party's trust department or agent in the Agency's name. Category 3, the highest risk, includes investments that are uninsured and unregistered with securities held by the counter party, or by its trust department or agent but not in the Agency's name.

At December 31, 2007, all the Islip Resource Recovery Agency's investments are classified as Category 1. The Islip Resource Recovery Agency's management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Treasury

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

J. Investments (continued)

obligations have been classified as held-to-maturity as the Islip Resource Recovery Agency has the positive intent and ability to hold securities to maturity. Held-to-maturity debt securities are stated at amortized cost, which approximated market. Related amortization and interest are included in interest income as earned.

Restricted cash and investments

The statement of net assets includes the Islip Resource Recovery Agency's restricted cash and investments totaling \$15,096,971 (cash and cash equivalents of \$1,840,942 and United States Government securities of \$13,256,029). Restricted accounts are maintained in accordance with the terms of the bond indentures of the Islip Resource Recovery Agency. Collateral is not required on these accounts.

K. Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (which is normally immovable such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets, which have a cost of \$5,000 or more at the date of acquisition and have an expected useful life of more than one year. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value as of December 31, 2001, indexed to the date of acquisition.

The estimates of historical costs of infrastructure were based on the "deflated current replacement cost approach." The Town commissioned a detailed survey/appraisal of all infrastructure networks and subsystems as of December 31, 2002. The estimated historical costs were then calculated using current replacement costs and deflating these costs through the use of price-level indexes to the acquisition year (or estimated acquisition year if the actual year is unknown).

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

K. Capital assets (continued)

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component unit financial statements.

Capital assets of the primary government and the component units are depreciated using the straight-line and accelerated cost recovery methods over the assets estimated useful life. There is no depreciation recorded for land. Generally, estimated useful lives are as follows:

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

L. Equity

Net assets:

In the government-wide financial statements and proprietary fund financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - This category consists of all capital assets including infrastructure, net of accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is excluded from the determination of this amount. Rather that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted net assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Town's policy is generally to use restricted assets before unrestricted assets.

Unrestricted net assets - This category represents the net assets of the Town, which are not restricted for any project or other purpose.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

L. Equity (continued)

Fund balance:

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. As of December 31, 2007, reservations of fund balance are described below:

Reserved for encumbrances - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for debt service - These reserves were established to provide for future debt service.

Reserved for self-insurance - These reserves are maintained to cover possible losses resulting from claims paid within the deductibility provisions of the Town's general and auto liability insurance and workers' compensation insurance.

Reserved for trust - These reserves represent expendable trusts.

Unreserved fund balance designated for Length of Service Award Program - This designation represents the portion of the ambulance districts' budget unexpended.

Unreserved fund balance designated for other post-employment benefits - This designation represents the amounts designated to fund future other post-employment benefit obligations owed by the Town.

Unreserved fund balance designated for next year's budget - This designation represents the amounts appropriated in next year's budget.

M. Allowance for doubtful accounts

All receivables are reported at their gross value and, where appropriate, are reduced by an allowance for doubtful accounts. The Town's allowance for doubtful accounts was \$38,100 at December 31, 2007. The Islip Resource Recovery Agency had an allowance for doubtful accounts in the amount of \$168,266 for the year ended December 31, 2007.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

N. Insurance

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

O. Compensated absences

The Town and Islip Resource Recovery Agency employees are granted vacation and sick leave and earn compensatory absences in varying amounts pursuant to labor contracts or Town policy. 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.

Vested vacation and sick leave is recorded in Proprietary Funds as a liability and expense.

P. Post employment benefits

Change in accounting principle

For the year ended December 31, 2007, the Town implemented GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions". GASB Statement 45 requires the recording of an other post employment benefit (OPEB) liability that relates to the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the Town's OPEB liability and its calculation are provided at Note 9.

Q. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

R. Operating revenues and expenses (Proprietary Funds)

Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

S. Advertising costs (Proprietary Funds)

Advertising costs are charged to operations when incurred.

2. Deficit fund balances

The following special district, included in Other Governmental Funds, had a deficit fund balance at December 31, 2007.

Lighting District	\$17,254
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The District incurred expenditures, which were financed by the General Fund. This amount will be repaid and the deficit eliminated by the proceeds of taxes levied in this special district.

Capital Projects Fund

Project deficits in this fund arise from expenditures, which are made before they are funded from proceeds of obligations or grant awards. Any existing project deficit will be eliminated by the proceeds of obligations from long-term debt, grant awards or transfer from the General Fund. There was no overall deficit as of December 31, 2007.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

3. Capital assets

Primary government capital asset activity for the year ended December 31, 2007 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
<u>Governmental activities:</u>			
<u>Non-depreciable assets:</u>			
Land and improvements	\$ 306,903,041	\$ 35,000	\$ (235,776)
<u>Depreciable assets:</u>			
Buildings and improvements	203,556,471	9,260,485	-
Machinery and equipment	52,902,621	4,542,738	(2,239,964)
Infrastructure:			
Airport	204,035,375	4,279,869	-
Road network	398,782,241	4,996,285	-
Boardwalk and bulkheads	4,867,222	1,609,538	-
Drainage network	93,045,104	3,115,831	-
Water network	3,564,504	-	-
Total depreciable assets	<u>960,753,538</u>	<u>27,804,746</u>	<u>(2,239,964)</u>
<u>Accumulated depreciation:</u>			
Buildings and improvements	(54,494,041)	(6,455,757)	-
Machinery and equipment	(21,632,146)	(4,527,503)	2,239,964
Infrastructure:			
Airport	(123,042,651)	(10,319,345)	-
Road network	(262,279,254)	(10,016,364)	-
Boardwalk and bulkheads	(1,452,726)	(167,345)	-
Drainage network	(51,931,333)	(1,786,470)	-
Water network	(249,515)	(71,290)	-
Total accumulated depreciation	<u>(515,081,666)</u>	<u>(33,344,074)</u>	<u>2,239,964</u>
Depreciable assets, net	<u>445,671,872</u>	<u>(5,539,328)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 752,574,913</u>	<u>\$ (5,504,328)</u>	<u>\$ (235,776)</u>
			<u>\$ 306,702,265</u>
			212,816,956
			55,205,395
			208,315,244
			403,778,526
			6,476,760
			96,160,935
			<u>3,564,504</u>
			<u>986,318,320</u>
			(60,949,798)
			(23,919,685)
			(133,361,996)
			(272,295,618)
			(1,620,071)
			(53,717,803)
			<u>(320,805)</u>
			<u>(546,185,776)</u>
			440,132,544
			<u>\$ 746,834,809</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
3. <u>Capital assets (continued)</u>				
<u>Business-type activities:</u>				
Non-depreciable assets:				
Construction in progress	\$ 15,574,856	\$ 267,553	\$(15,842,409)	\$ -
Land	801,799	-	-	801,799
Total non-depreciable assets	<u>16,376,655</u>	<u>267,553</u>	<u>(15,842,409)</u>	<u>801,799</u>
Depreciable assets:				
Clean fill facility	1,278,335	-	-	1,278,335
Landfill site improvements	924,180	-	-	924,180
Buildings	1,180,057	-	-	1,180,057
Leasehold improvements	607,128	4,558	-	611,686
Resource recovery facility	67,603,855	15,842,409	-	83,446,264
Machinery and equipment	7,235,420	56,949	(913,037)	6,379,332
Total depreciable assets	<u>78,828,975</u>	<u>15,903,916</u>	<u>(913,037)</u>	<u>93,819,854</u>
Accumulated depreciation:				
Clean fill facility	(1,278,335)	-	-	(1,278,335)
Landfill site improvements	(776,898)	(25,277)	-	(802,175)
Buildings	(757,466)	(19,191)	-	(776,657)
Leasehold improvements	(310,060)	(15,060)	-	(325,120)
Resource recovery facility	(47,309,735)	(3,337,851)	-	(50,647,586)
Machinery and equipment	(6,392,184)	(261,409)	913,037	(5,740,556)
Total accumulated depreciation	<u>(56,824,678)</u>	<u>(3,638,788)</u>	<u>913,037</u>	<u>(59,570,429)</u>
Depreciable assets, net	<u>22,004,297</u>	<u>12,245,128</u>	<u>-</u>	<u>34,249,425</u>
Business-type activities capital assets, net	<u>\$ 38,380,952</u>	<u>\$ 12,512,681</u>	<u>\$(15,842,409)</u>	<u>\$ 35,051,224</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

3. Capital assets (continued)

Component unit capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Construction in progress	\$ 218,286	-	-	\$ 218,286
Land	1,382,364	-	-	1,382,364
Total non-depreciable assets	<u>1,600,650</u>	<u>-</u>	<u>-</u>	<u>1,600,650</u>
Depreciable assets:				
Buildings and improvements	6,118,269	22,838	-	6,141,107
Equipment	115,431	-	-	115,431
Total depreciable assets	<u>6,233,700</u>	<u>22,838</u>	<u>-</u>	<u>6,256,538</u>
Accumulated depreciation:				
Buildings and improvements	(2,475,969)	(216,576)	-	(2,692,545)
Equipment	(90,073)	(10,801)	-	(100,874)
Total accumulated depreciation	<u>(2,566,042)</u>	<u>(227,377)</u>	<u>-</u>	<u>(2,793,419)</u>
Depreciable assets, net	3,667,658	(204,539)	-	3,463,119
Component units capital assets, net	<u>\$ 5,268,308</u>	<u>\$ (204,539)</u>	<u>\$ -</u>	<u>\$ 5,063,769</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

3. Capital assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 9,947,682
Public safety	296,299
Transportation	18,933,114
Economic development	3,498
Culture and recreation	1,720,331
Home and community services	<u>2,443,150</u>

Total governmental activities depreciation expense	<u>\$33,344,074</u>
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Business-type activities:

Islip Resource Recovery Agency	\$ 3,639,056
Town of Islip Foreign Trade Zone Authority	17,630
Town of Islip Industrial Development Agency	<u>2,102</u>

Total business-type activities depreciation expense	<u>\$ 3,658,788</u>
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Component units:

Town of Islip Community Development Agency	\$ 139,935
Islip's Housing Development Fund Company, Inc.	<u>87,442</u>

Total component units depreciation expense	<u>\$ 227,377</u>
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Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities

Long-term liability activity - primary government

Long-term liability activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$124,750,000	\$16,550,000	\$(13,375,000)	\$127,925,000	\$12,640,000
Estimated liability for landfill closure and post closure care costs	9,860,900	-	(363,100)	9,497,800	363,100
Estimated liability for self-insurance	10,795,891	1,693,898	-	12,489,789	-
Net other post employment benefit obligation	-	6,719,111	-	6,719,111	-
Due to MacArthur Airport, LLC	-	4,029,225	-	4,029,225	46,646
Due to Double Rinx, Inc. and Hidden Pond Sports Corp, Inc.	-	68,641	-	68,641	16,479
Compensated absences (A)	12,709,700	-	(431,695)	12,278,005	1,348,377
Deferred (lag) payroll (A)	196,531	-	(28,388)	168,143	-
Installation contract - Fair Harbor Water District	2,937,113	-	(135,659)	2,801,454	140,950
Governmental activities, long-term liabilities	<u>\$161,250,135</u>	<u>\$29,060,875</u>	<u>\$(14,333,842)</u>	<u>\$175,977,168</u>	<u>\$14,555,552</u>

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

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

General obligation bonds

The Town borrows money in order to acquire land, equipment and to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving benefit of the assets. These serial bonds are general obligations of the Town, and contain a pledge of its full faith and credit for the payment of principal and interest as required by the Constitution and laws of the State of New York. The payments on the general obligation bonds are made by the General Fund. The interest rates and maturity dates on the general obligation bonds are as follows:

3.50% to 5.40% payable through 2021	\$127,925,000
-------------------------------------	---------------

Bond Anticipation Notes:

Liabilities for Bond Anticipation Notes (BAN) are accounted for in the Capital Projects Fund. Principal payments for BAN's must be made annually.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

There are no outstanding BAN's in the Capital Projects Fund for the year ended December 31, 2007.

Other long-term liabilities (governmental activities):

- Estimated liability for landfill closure and post closure care costs: State and federal laws and regulations require the Town to place a final cover on its landfill sites when the sites are filled to capacity and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. This liability will be paid through the General Fund.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Other long-term liabilities (governmental activities) (continued):

- Estimated liability for self-insurance: The Town maintains a self-insurance program to cover possible losses resulting from claims paid within the deductibility provisions of the Town's general and auto liability insurance and workers' compensation insurance. The program is administered by an independent company, which provides claims review and processing services.
- Net other post employment benefit obligation: Represents the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. This liability will be paid through the General Fund and Special Revenue Funds.
- Compensated absences: Represents the value of earned and unused portion of the liability for vacation and sick pay. This liability will be paid through the General Fund and Special Revenue Funds.
- Deferred (lag) payroll: Represents the value of salaries and wages voluntarily deferred by the Town employees until such time that they leave the Town's employ. This liability will be paid through the General Fund and Special Revenue Funds.
- Installment contract - Fair Harbor Water District: Represents a contract between the Suffolk County Water Authority and the Town on behalf of the Fair Harbor Water District, for the execution of improvements to the Fair Harbor Water District, with the cost to be paid over a twenty year term.
- Installment Contract - ECH - MacArthur Airport, LLC - Represents a contract for the construction of parking spaces at Long Island MacArthur Airport, with the cost to be paid over a thirty year term at 10%.
- Installment Contract - Double Rinx, Inc. & Hidden Pond Sports Camp, Inc. - Represents a contract for the construction of improvements to the public pool at Hidden Pond Park, with the cost to be paid over a seven year term.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Other long-term liabilities (governmental activities) (continued):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type activities:</u>					
Revenue bonds	\$41,360,000	\$ -	\$(3,545,000)	\$37,815,000	\$3,760,000
Add: unamortized debt premium	2,213,572	-	(198,685)	2,014,887	-
Less: deferred loss on early retirement of debt	(354,603)	54,554	-	(300,049)	-
Revenue bonds, net	43,218,969	54,554	(3,743,685)	39,529,838	3,760,000
Estimated liability for landfill closure and post closure care costs	33,973,187	1,681,197	-	35,654,384	820,000
Compensated absences	646,383	4,183	(92,543)	558,023	-
Deferred (lag) payroll	3,193	-	(3)	3,190	-
Other post employment benefit obligation	-	32,878	-	32,878	-
Business-type activities long-term liabilities	<u>\$77,841,732</u>	<u>\$1,772,812</u>	<u>\$(3,836,231)</u>	<u>\$75,778,313</u>	<u>\$4,580,000</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Revenue bonds:

The Islip Resource Recovery Agency issues revenue bonds to finance its waste management resource recovery activities. Principal and interest payments on these bonds are paid from the fees collected by the Islip Resource Recovery Agency. Details of the interest rates and maturity dates of the revenue bonds are as follows:

Term bonds, 6.50%, issued August 1995, maturity date July 2009	\$ 5,900,000
Serial bonds, 6.00% to 7.25%, issued April 1994, maturity dates July 2009 through July 2013	7,245,000
Serial bonds, 4.00% to 5.75%, issued March 2004, maturity dates July 2006 through July 2023	16,155,000
Serial bonds, 4.50% to 5.00%, issued April 2004, maturity dates July 2009 through July 2013	<u>8,515,000</u>
Outstanding principal	37,815,000
Add: unamortized debt premium	2,014,887
Less: deferred loss on early retirement of debt	<u>(300,049)</u>
Sub-total	39,529,838
Less: current portion of long-term debt	<u>(3,760,000)</u>
Total	<u>\$35,769,838</u>

Legal fees, printing costs, and other expenses associated with the issuance of the Islip Resource Recovery Agency's revenue bonds are being amortized on the straight-line method over the term of the obligation.

Other long-term liabilities (business-type activities):

- Estimated liability for landfill closure and post closure care costs: State and federal laws and regulations require the Islip Resource Recovery Agency to place a final cover on its landfill sites when the sites are filled to capacity and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.
- Compensated absences: Represents the value of earned and unused portion of the liability for vacation and sick pay.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. **Long-term liabilities (continued)**

Other long-term liabilities (business-type activities) (continued):

- Deferred (lag) payroll: Represents the value of salaries and wages voluntarily deferred by Town employees until such time that they leave the Town's employ.
- Other post employment benefit obligation: Represents the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance.

Debt maturity - primary government:

Debt service requirements at December 31, 2007 were as follows:

Governmental activities:

General Obligation Bonds:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 12,640,000	\$ 5,468,978	\$ 18,108,978
2009	13,505,000	4,879,532	18,384,532
2010	13,500,000	4,285,531	17,785,531
2011	11,315,000	3,666,586	14,981,586
2012	11,285,000	3,159,754	14,444,754
2013-2017	52,295,000	8,494,339	60,789,339
2018-2021	<u>13,385,000</u>	<u>881,256</u>	<u>14,266,256</u>
Total	<u>\$127,925,000</u>	<u>\$30,835,976</u>	<u>\$158,760,976</u>

Installment Contract - Fair Harbor Water District:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 140,950	\$109,257	\$ 250,207
2009	146,448	103,760	250,208
2010	152,159	98,048	250,207
2011	158,093	92,114	250,207
2012	164,259	85,948	250,207
2013-2017	922,531	328,505	1,251,036
2018-2022	<u>1,117,014</u>	<u>134,022</u>	<u>1,251,036</u>
Total	<u>\$2,801,454</u>	<u>\$951,654</u>	<u>\$3,753,108</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Business-type activities:

Revenue Bonds:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,760,000	\$ 2,208,177	\$ 5,968,177
2009	3,895,000	1,977,278	5,872,278
2010	4,235,000	1,745,702	5,980,702
2011	4,525,000	1,457,063	5,982,063
2012	4,815,000	1,146,438	5,961,438
2013-2017	8,885,000	3,232,156	12,117,156
2018-2022	6,230,000	1,537,550	7,767,550
2023	1,470,000	84,525	1,554,525
Total	<u>\$37,815,000</u>	<u>\$13,388,889</u>	<u>\$51,203,889</u>

Summary of constitutional debt limit:

Governmental activities (Town of Islip)

Average full valuation of taxable real property as of
October 31, 2008 (according to official statement dated
November 10, 2008). \$32,835,072,376

Debt limit 7.00% of above \$ 2,578,455,066

Business-type activities (Islip Resource Recovery Agency)

The Islip Resource Recovery Agency's constitutional debt limit at December 31, 2007
was \$50,000,000.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Long-term liability activity - discretely presented component units:

Long-term liability activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Component units:</u>					
Mortgages	\$ 364,640	\$ -	\$ (35,109)	\$ 329,531	\$ 37,742
Community development bonds	2,175,000	-	(475,000)	1,700,000	500,000
U.S. Department of Housing and Urban Development bonds	1,520,000	-	(80,000)	1,440,000	90,000
Claims and judgments	5,339,900	-	(170,989)	5,168,911	179,859
Compensated absences	<u>414,876</u>	<u>64,197</u>	<u>-</u>	<u>479,073</u>	<u>-</u>
Component units long-term liability	<u>\$9,814,416</u>	<u>\$64,197</u>	<u>\$(761,098)</u>	<u>\$9,117,515</u>	<u>\$807,601</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Mortgages

Islip's Housing Development Fund Company, Inc. has entered into mortgage agreements with the State of New York Housing Trust Fund Corporation to acquire residential rental buildings. These mortgages are secured by the residential rental buildings.

Community Development Bonds

The Town of Islip Community Development Agency issued Community Development Bonds to provide funds to finance the cost of acquiring real property in connection with the Urban Renewal Plan known as the Community Development Plan for Suffolk Avenue - Crooked Hill Road. These bonds are guaranteed by the Town.

U.S. Department of Housing and Urban Development Bonds

The Town of Islip Community Development Agency has borrowed funds through a public offering by the U.S. Department of Housing and Urban Development pursuant to the Housing and Community Development Act of 1974. The proceeds were loaned to Touro College for its acquisition of the Bay Shore Mini-Center.

Other long-term liabilities (discretely presented component units):

- Compensated absences: Represents the value of earned and unused portion of the liability for vacation and sick pay.
- Claims and judgments: In March 1993, a lawsuit was settled between the plaintiff, the Brentwood Union Free School District, and the defendant, Town of Islip Community Development Agency and Basser Kaufman Co., at the Supreme Court of the State of New York, County of Suffolk. Whereas, the Town of Islip Community Development Agency has leased a certain parcel of land to Basser Kaufman Co., which is located on Wicks Road in Brentwood, New York and which is now commonly referred to as the "Pathmark Shopping Center". It was determined by the Supreme Court that the rents and the developer's surcharges received in the future from Basser Kaufman Co., should exceed the funds paid by the Town of Islip Community Development Agency for bond payments, which were previously issued by the Town of Islip Community Development Agency to support the developmental construction of the parcel of land leased to Basser Kaufman Co.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Other long-term liabilities (discretely presented component units) (continued):

Such excess should be paid to the plaintiff as payments in lieu of real estate tax payments through November of 2015 pursuant to the Supreme Court. The Town of Islip Community Development Agency has been making monthly payments in lieu of real estate taxes since June of 1994, and the total of \$5,168,911 is still outstanding as of June 30, 2007.

Debt maturity - discretely presented component units:

Debt service requirements at June 30, 2007 were as follows:

Component units:

Mortgages:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 37,742	\$ 5,874	\$ 43,616
2009	40,572	3,043	43,615
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013-2017	-	-	-
2018-2022	-	-	-
2023	<u>251,217</u>	<u>904,381</u>	<u>1,155,598</u>
Total	<u>\$329,531</u>	<u>\$913,298</u>	<u>\$1,242,829</u>

Community Development Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 500,000	\$134,125	\$ 634,125
2009	580,000	84,175	664,175
2010	<u>620,000</u>	<u>28,675</u>	<u>648,675</u>
Total	<u>\$1,700,000</u>	<u>\$246,975</u>	<u>\$1,946,975</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

4. Long-term liabilities (continued)

Component units (continued):

U.S. Department of Housing and Urban Development Bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 90,000	\$ 88,056	\$ 178,056
2009	90,000	82,832	172,832
2010	100,000	77,228	177,228
2011	110,000	70,915	180,915
2012	120,000	63,886	183,886
2013-2017	750,000	188,097	938,097
2018	180,000	5,994	185,994
Total	<u>\$1,440,000</u>	<u>\$577,008</u>	<u>\$2,017,008</u>

Claims and Judgments:

<u>Year Ending June 30,</u>	<u>Payments During the Fiscal Year(s)</u>
2008	\$ 179,859
2009	168,062
2010	161,963
2011	606,521
2012	920,000
2013-2016	3,132,506
Total	<u>\$5,168,911</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

5. Advanced refunding of bonds

Governmental activities:

On June 14, 2004, the Town issued \$18,140,000 in Public Improvement Refunding (Serial) Bonds with interest rates ranging from 2.00% to 5.00% to advance refund \$17,850,000 of outstanding 1992, 1993, 1994 and 1995 serial bonds with interest rates ranging from 4.40% to 6.00%. The net proceeds of \$18,516,851 (after payment of \$193,449 in underwriting fees, insurance and other issuance costs) was placed in escrow and used to purchase U.S. government securities, the principal and interest payments on which is irrevocably committed and pledged to make payments, when due, of principal of, interest on, and redemption premiums payable with respect to the refunded bonds. As a result, the 1992, 1993, 1994 and 1995 serial bonds are considered to be defeased and the liability for those bonds have been removed from the government-wide financial statements.

The Town advance refunded the 1992, 1993, 1994 and 1995 serial bonds to reduce its total debt service payments over a six year period by approximately \$813,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of approximately \$711,000. The new debt service payments will result in savings in each of the succeeding five years on the refunded bonds.

The amount of defeased debt still outstanding as of December 31, 2007, is as follows:

1993 Serial Bonds	\$ 600,000
1994 Serial Bonds	1,150,000
1995 Serial Bonds	<u>4,500,000</u>
Total	<u>\$6,250,000</u>

Business-type activities

On April 5, 2004, the Islip Resource Recovery Agency issued \$8,515,000 in Series F 2004 Revenue Refunding Bonds with interest rates ranging from 4.50% to 5.00% to advance refund \$8,755,000 of Series 1994B Bonds with maturities in 2009, 2012 and 2013 of the \$16,000,000 total outstanding Series B Bonds with interest rates ranging from 6.00% to 7.25% (callable on July 1, 2004). The net proceeds of \$8,902,551 (after payment of \$400,189 in underwriting fees, insurance and other issuance costs) was placed in escrow and used to purchase U.S. government securities. Those securities

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

5. Advanced refunding of bonds (continued)

Business-type activities (continued)

were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of these Series B Bonds. As a result, this portion of the 1994 Series B Bonds are considered to be defeased and the liability for these bonds has been removed from long-term debt.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$506,247. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2013 using the straight-line method. The Agency completed the advance refunding to reduce its total debt service payments over a nine year period by approximately \$1,310,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,017,000.

6. Lease commitments

Operating leases:

Primary government - governmental activities:

The Town of Islip leases a significant amount of property and equipment under operating leases. Total rental expenditures on such leases for the year ended December 31, 2007 was approximately \$181,751. The minimum future rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$167,810
2009	106,829
2010	4,029
2011	4,029
2012	4,029
2013-2017	17,895
2018-2019	<u>3,583</u>
Total	<u>\$308,204</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

6. Lease commitments (continued)

Primary government - business-type activities:

Town of Islip Foreign Trade Zone Authority:

Land

The Town of Islip Foreign Trade Zone Authority leases land from the Town under an operating lease expiring in 2047. In consideration, the Town of Islip Foreign Trade Zone Authority agrees that at all times during the term of the lease, it will pay to the Town one hundred percent (100%) of the net income and profits derived from the business conducted on the demised premises under any sub-leasing arrangements. This rental charge totaled \$77,425 in 2007.

Office space

The Town of Islip Foreign Trade Zone Authority sub-leases office space from Trade Plaza 1 Associates, a tenant of the Town of Islip Foreign Trade Zone Authority, under an operating lease expiring on May 31, 2009. The rent payments for office space totaled \$32,376 for 2007.

A schedule of future minimum sub-lease rent payments at December 31, 2007 follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$32,376
2009	<u>13,490</u>
Total	<u>\$45,866</u>

7. Lessor agreements

Primary government - governmental activities:

The Town leases out a significant amount of property. The following is a schedule, by years, of minimum future rentals to be received on noncancelable operating leases:

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

7. Lessor agreements (continued)

Primary government - governmental activities (continued):

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 4,192,244
2009	3,796,697
2010	3,633,671
2011	3,547,962
2012	3,174,212
2013-2017	7,126,145
2018-2022	6,015,224
2023-2027	4,644,013
2028-2032	682,546
2033-later	<u>6,786,674</u>
Total	<u>\$43,599,388</u>

Primary government - business-type activities:

Town of Islip Foreign Trade Zone Authority:

Land

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 319,289
2009	329,334
2010	342,972
2011	362,633
2012	373,528
Later years	<u>6,675,865</u>
Total	<u>\$8,403,621</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

7. Lessor agreements (continued)

Annual maintenance fees:

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

The aggregate maximum annual maintenance fee payments to be received at December 31, 2007 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 91,427
2009	94,623
2010	99,062
2011	104,477
2012	107,558
Later years	<u>1,864,680</u>
Total	<u>\$2,361,827</u>

8. Pension plan

Plan description

The Town and the Islip Resource Recovery Agency participate in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement Systems, Gov. Alfred E. Smith, State Office Building, 110 State Street, Albany, New York 12244.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

8. Pension plan (continued)

Funding policy

The System is non-contributory except for employees who joined after July 27, 1976 and contribute 3.00% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town, Islip Resource Recovery Agency and the Town of Islip Foreign Trade Zone Authority are required to contribute at an actuarially determined rate. The required System contributions for the current year and two preceding years were:

	<u>System</u>		
	<u>Town</u>	<u>Islip Resource Recovery Agency</u>	<u>Town of Islip Foreign Trade Zone Authority</u>
December 31, 2007	\$4,290,413	\$161,601	\$13,954
December 31, 2006	\$4,779,659	\$180,251	\$21,231
December 31, 2005	\$4,865,106	\$195,208	\$18,919

The contributions made by the Town, Islip Resource Recovery Agency and the Town of Islip Foreign Trade Zone Authority to the System were equal to one hundred percent (100%) of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

The total unpaid liability at December 31, 2007 for the Town, Islip Resource Recovery Agency and the Town of Islip Foreign Trade Zone Authority was \$-0-.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

8. Pension plan (continued)

Funding policy (continued)

Chapter 49 of the Laws of 2003 of the State of New York was enacted, which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.50% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing, such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st.

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7.00% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.50% of employees' covered pensionable salaries.
- For SFY 2006-07, the amount in excess of 10.50% of employees' covered pension salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007.

Change in payment due date

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan

Primary government-government activities

Plan description

The Town maintains a post retirement health benefits plan for retired employees of the Town. The plan is a single-employer defined benefit health insurance plan administered by the Town of Islip. The plan provides health insurance coverage to all eligible retirees and their eligible dependents and can be amended by action of the governing board subject to applicable collective bargaining and employment agreements. For a retiree to be eligible, he/she should have attained age fifty-five and have a minimum of five years of service with the Town.

There are currently 528 active participants in the plan. All financial activities of the plan are included in the financial statements of the Town. The plan does not issue a separate financial report.

Funding policy

The plan is non-contributory for employees and retirees. Surviving spouse benefits are offered with the spouse paying the full cost of coverage. The funding requirements of the plan will be met by contributions for the Town. For 2007, the Town's annual OPEB cost was \$12,307,117. Contributions of \$5,588,006 were made in 2007.

Accounting policy

The accrual basis of accounting is used.

Annual OPEB cost and net OPEB obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town has engaged an actuary to calculate the ARC and related information. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Town's annual OPEB cost for 2007, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to plan:

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. **Post Employment Health Insurance Benefit Plan (continued)**

Primary government-government activities (continued)

Annual OPEB cost and net OPEB obligation (continued)

Annual required contribution	\$12,307,117
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
 Annual OPEB cost (expense)	 12,307,117
Contributions made	<u>5,588,006</u>
 Increase (decrease) in net OPEB obligation	 6,719,111
Net OPEB obligation - beginning of year	<u>-</u>
 Net OPEB obligation - end of year	 <u>\$ 6,719,111</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/07	\$12,307,117	45.4%	\$6,719,111

Funded status and funding progress

As of January 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$159,618,831 and the actuarial value of assets was \$-0-, resulting in an underfunding in the amount of \$159,618,831.

Covered payroll: N/A

Unfunded actuarial accrued liability as a percentage of covered payroll: N/A

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Primary government-government activities (continued)

Funded status and funding progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial methods:

Actuarial cost method: Projected unit credit

Assumptions:

Inflation rate	3.0%
Discount rate	5.0%
Investment return	5.0%
Projected salary increases	3.5%

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Primary government-government activities (continued)

Assumptions (continued)

Healthcare cost trend rate

Healthcare costs are assumed to increase in accordance with the following schedule:

<u>Year</u>	<u>Rate</u>
2007	9.0%
2008	8.5%
2009	8.0%
2010	7.5%
2011	7.0%
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%

Retirement rates

It was assumed that the following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Rate</u>
55	15%
56-60	10%
61	20%
62	25%
63	10%
64	15%
65	30%
66	25%
67	20%
68	15%
69	20%
70	100%

Mortality:

The mortality rates are from the Combined RP 2000 Group Annuity Mortality Table projected by Scale AA to 2007.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Primary government-government activities (continued)

Assumptions (continued)

Disability rates

The disability incidence and mortality rates related to members of the Employee Retirement System as developed in the report "Development of Recommended Actuarial Assumptions for New York/SUNY GASB 45 Valuation" prepared by the Department of Civil Service's actuarial consultant were used:

<u>Age</u>	<u>Rates of disability</u>	
	<u>Tier 1 and 2</u>	<u>Tier 3 and 4</u>
20	0.068%	0.051%
30	0.068%	0.051%
40	0.159%	0.139%
50	0.413%	0.401%
60	0.967%	0.950%

Post-disability mortality

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.3737%	0.0362%
30	0.3737%	0.1323%
40	1.1961%	1.0370%
50	2.7754%	2.8678%
60	2.8017%	2.4157%

Termination rates

The Crocker-Sarason T-8 withdrawal table was used. A sample of the rates are shown below for both male and female lives. These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, disability or retirement:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	11.96%	11.98%
30	11.25%	11.27%
40	9.47%	9.53%
50	5.09%	5.32%

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Primary government-government activities (continued)

Assumptions (continued)

Participation rate

It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree health benefit plan upon retirement.

Percent married

It was assumed that 75% of the male and 50% of the female employees who elect retiree healthcare coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Administrative expenses

Included in premiums used.

Amortization method

Level percentage of projected payroll with an assumed annual payroll growth of 2.5% over 30 years.

The remaining amortization period at December 31, 2007 is 29 years.

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
1/1/07	\$ -	\$159,618,831	\$159,618,831	\$0.0%	N/A	N/A

Note: 2007 was the initial year of implementation.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities:

Islip Resource Recovery Agency:

Post-employment healthcare plan:

Plan description

The Agency's defined benefit post-employment healthcare plan provided under the Empire, HIP and Vytra plan (the Plans) provide medical insurance benefits to eligible employees, retirees and their dependents. The Plans are agent multiple-employer, post-employment healthcare plans. The Agency has the authority to establish and amend benefit provisions of the plan. The Plans issue publicly available financial reports that include financial statements and required supplementary information.

Funding policy

The contribution requirements of plan members and the Agency are established and may be amended. The Agency currently provides coverage under its healthcare plan at no cost to its members.

The Agency is required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB cost

For the year ended December 31, 2006, the Agency's annual OPEB cost (expense) of \$399,076 for the Plans was equal to the ARC. The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007 was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/07	\$399,076	23.7%	\$304,539

Since this is the first year annual OPEB cost and net OPEB obligations were calculated, prior year information is not available.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities (continued):

Islip Resource Recovery Agency (continued):

Funded status and funding progress

The funded status of the plan as of December 31, 2006 was as follows:

Actuarial Accrued Liability (AAL)	\$4,592,555
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$4,592,555
Funded Ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$1,682,231
UAAL as a percentage of covered payroll	2.73%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below as required supplementary information, presents multi-year trend information that would show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since December 31, 2006 was the initial year of valuation and no contributions have been made since then by the Agency, multi-year funding progress is not presented.

Actuarial methods and assumption

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

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. **Post Employment Health Insurance Benefit Plan (continued)**

Business-type activities (continued):

Islip Resource Recovery Agency (continued):

Actuarial methods and assumption (continued):

In the December 31, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return and an annual healthcare cost trend rate of 9% initially for medical and prescription drugs, respectively, reduced by decrements to an ultimate rate of 5% after ten years for both medical and prescription drugs. Both rates include a 3.5% inflation assumption. The actuarial value of the Plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded actuarial accrued liability is being amortized over a one-year period. The remaining amortization period at December 31, 2007 was twenty-nine years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL-Entry Age (b))	Unfunded AAL (UAAL) (b-a)
12/31/06	\$ -	\$4,592,555	\$4,592,555
		UAAL as Percentage of Covered Payroll	
Funded Ratio (a/b)	Covered Payroll (c)	(b-a)/c	
0%	\$1,682,231	2.73%	

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority:

Plan description

The Authority, through the Town, maintains a post retirement health benefits plan for retired employees of the Authority. The plan is a single-employer defined benefit health insurance plan administered by the Town. The plan provides health insurance coverage to all eligible retirees and their eligible dependents and can be amended by action of the governing board subject to applicable collective bargaining and employment agreements. For a retiree to be eligible, he/she should have attained age fifty-five and have a minimum of five years of service with the Authority.

There are currently two active participants in the plan. All financial activities of the plan are included in the financial statements of the Authority. The plan does not issue a separate financial report.

Funding policy

The plan is non-contributory for employees and retirees. Surviving spouse benefits are offered with the spouse paying the full cost of coverage. The funding requirements of the plan will be met by contributions from the Authority. For 2007, the Authority's annual OPEB cost was \$32,878. No contributions were made in 2007.

Accounting policy

The accrual basis of accounting is used.

Annual OPEB cost and net OPEB obligation

The Agency's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Town has engaged an actuary to calculate the ARC and related information. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. **Post Employment Health Insurance Benefit Plan (continued)**

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority (continued):

Annual OPEB cost and net OPEB obligation (continued)

unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following shows the components of the Authority's annual OPEB cost for 2007, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to plan:

Annual required contribution	\$32,878
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
 Annual OPEB cost (expense)	 32,878
Contributions made	<u>-</u>
 Increase (decrease) in net OPEB obligation	 32,878
Net OPEB obligation - beginning of year	<u>-</u>
 Net OPEB obligation - end of year	 <u>\$32,878</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/07	\$32,878	0.0%	\$32,878

Funded status and funding progress

As of January 1, 2007, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$23,617, and the actuarial value of assets was \$-0-, resulting in an underfunding in the amount of \$23,617.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority (continued):

Funded status and funding progress (continued)

Covered payroll: N/A

Unfunded actuarial accrued liability as a percentage of covered payroll: N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and on the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial methods:

Actuarial cost method: Projected Unit Credit

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority (continued):

Assumptions:

Inflation rate: 3.0%

Discount rate: 5.0%

Investment return: 5.0%

Projected salary increases: 3.5%

Healthcare cost trend rate: Healthcare costs are assumed to increase in accordance with the following schedule:

<u>Year</u>	<u>Rate</u>
2007	9.0%
2008	8.5%
2009	8.0%
2010	7.5%
2011	7.0%
2012	6.5%
2013	6.0%
2014	5.5%
2015	5.0%

Retirement rates: It was assumed that the following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
55	15.0%	65	30.0%
56-60	10.0%	66	25.0%
61	20.0%	67	20.0%
62	25.0%	68	15.0%
63	10.0%	69	20.0%
64	15.0%	70	100.0%

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. **Post Employment Health Insurance Benefit Plan (continued)**

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority (continued):

Assumptions (continued):

Mortality: The mortality rates are from the Combined RP 2000 Group Annuity Mortality Table projected by Scale AA to 2007.

Disability rates: The disability incidence and mortality rates related to members of the Employee Retirement System as developed in the report "Development of Recommended Actuarial Assumptions for New York/SUNY GASB 45 Valuation" prepared by the Department of Civil Service's actuarial consultant were used:

<u>Age</u>	<u>Rates of Disability</u>	
	<u>Tier 1 & 2</u>	<u>Tier 3 & 4</u>
20	.068%	.051%
30	.068%	.051%
40	.159%	.139%
50	.413%	.401%
60	.967%	.950%

<u>Age</u>	<u>Post-Disability Mortality</u>	
	<u>Male</u>	<u>Female</u>
20	.3737%	.0362%
30	.3737%	.1323%
40	1.1961%	1.0370%
50	2.7754%	2.8678%
60	2.8017%	2.4157%

Termination rates: The Crocker-Sarason T-8 withdrawal table was used. A sample of the rates are shown below for both male and female lives. These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, disability or retirement:

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

9. Post Employment Health Insurance Benefit Plan (continued)

Business-type activities (continued):

Town of Islip Foreign Trade Zone Authority (continued):

Assumptions (continued):

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	11.96%	11.98%
30	11.25%	11.27%
40	9.47%	9.53%
50	5.09%	5.32%

Participation rate: It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree health benefit plan upon retirement.

Percent married: It was assumed that 75% of the male and 50% of the female employees who elect retiree healthcare coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Administrative expenses: Included in premiums used.

Amortization method:

Level percentage of projected payroll with an assumed annual payroll growth of 2.5% over 30 years.

The remaining amortization period at December 31, 2007 is 29 years.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

10. **Interfund transactions**

Interfund receivables/payables

The composition of interfund balances as of December 31, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major governmental fund:	
	Bay Shore-Brightwaters Ambulance, Inc. (A)	\$ 368,848
	Blended component units:	
	Town of Islip Foreign Trade Zone Authority (B)	538,381
	Islip Resource Recovery Agency (C)	<u>497,117</u>
		<u>1,404,346</u>
Capital Project Fund	General Fund (D)	<u>553,746</u>
Islip Resource Recovery Agency	General Fund (E)	21,966
	Solid Waste Fund (F)	156,774
	Non-major governmental fund:	
	Highway Fund (G)	<u>84,475</u>
		<u>263,215</u>
Non-major governmental fund:		
Kismet Improvement District	General Fund (H)	<u>18,601</u>
	Total	<u>\$2,239,908</u>

Purpose of interfund balances:

(A)	Loan to Bay Shore - Brightwaters Ambulance, Inc. (\$245,898 of the loan balance will not be repaid within one year)	<u>\$368,848</u>
(B)	Rent due from the Town of Islip Foreign Trade Zone Authority	<u>\$538,381</u>
(C)	Administrative charges due from Islip Resource Recovery Agency	<u>\$497,117</u>
(D)	Balance due from Long Island MacArthur Airport	<u>\$553,746</u>
(E)	Tipping fees due from General Fund	<u>\$ 21,966</u>
(F)	Expense reimbursement due from Solid Waste Fund for the Clean Air Act	<u>\$156,774</u>
(G)	Tipping Fees due from Highway Fund	<u>\$ 84,475</u>
(H)	Interest on investment - Kismet Improvement District	<u>\$ 18,601</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

10. Interfund transactions (continued)

Interfund transfers

A summary of interfund transfers by fund type is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General	\$7,573,038	\$7,126,886
Solid waste	-	135,373
Capital projects	553,746	-
Non-major funds:		
Special revenue	-	<u>864,525</u>
Totals	<u>\$8,126,784</u>	<u>\$8,126,784</u>

Eliminations

Interfund transfers are reported in the governmental funds financial statements. In the government-wide statements, interfund transfers are eliminated within the governmental activities column, as appropriate.

Purpose of transfers

Transfers are used to (1) move revenues from the fund that state statute requires to collect them to the fund that state statute requires to expend them, (2) fund capital projects, (3) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt and (4) to finance various programs accounted for in other funds using unrestricted revenues collected in the General Fund in accordance with budgetary authorizations.

11. Component unit transactions

The Town engages in the following transactions with component units:

- Advances of funds for working capital.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

11. Component unit transactions (continued)

- On December 1, 1985, the Town entered into a twenty-five year solid waste agreement with the Islip Resource Recovery Agency (a blended component unit), amended April 1989, March 1994 and January 1997. The March 1994 amendment extended the term of the agreement until December 1, 2013 and the January 1997 amendment revised the repayment schedule. Under the terms of the agreement, the Agency took title to the Town's solid waste disposal facilities. The Town was retained by the Islip Resource Recovery Agency to provide management and administrative services to the Islip Resource Recovery Agency. The Town is reimbursed for these items through the remittance of an administrative fee.
- In July 1992, the Islip Resource Recovery Agency entered into a management service agreement, which defines the charges to the Islip Resource Recovery Agency for services provided by the Town. This agreement is usually amended annually. The most recent amendment is dated February 23, 2007.
- Payment of tipping fees to the Islip Resource Recovery Agency for disposal of Town waste.
- Leasing of land to the Town of Islip Foreign Trade Zone Authority (a blended component unit).
- The Town of Islip Industrial Development Agency's personnel are employees of the Town. All salaries and fringe benefits for the Town of Islip Industrial Development Agency's personnel are paid by the Town. Additionally, office space is provided to the Town of Islip Industrial Development Agency by the Town on a rent-free basis. The approximate total value of salary and fringe benefits attributable to Town employees as a percentage of time spent on the Town of Islip Industrial Development Agency activities was \$189,789 and the estimated fair market rental value of office space provided to the Town of Islip Industrial Development Agency by the Town was \$20,523 for the year ended December 31, 2007.
- Transfer of federal financial assistance to its sub-recipient, Town of Islip Community Development Agency (a discretely presented component unit).

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

11. Component unit transactions (continued)

Due from component units:

Blended component units

The year-end balances, revenues and expenditures resulting from these transactions are included in the following accounts and are summarized as follows:

Town of Islip Foreign Trade Zone Authority:	
Balance due for rent	\$ 538,381
Islip Resource Recovery Agency:	
Balance due for administrative charges	\$ 497,117

Due to component units:

Blended component units

Islip Resource Recovery Agency:	
Balance due for tipping fees	\$ 106,441
Balance due for Clean Air Act	\$ 156,774

Revenues:

Blended component units

Town of Islip Foreign Trade Zone Authority:

Rental income accrued by the Town. Under the terms of the Town's lease with the Town of Islip Foreign Trade Zone Authority, all "net income and profits" derived from business conducted on the demised premises under sub-leasing arrangement are payable to the Town as rent.	\$ 77,425
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Islip Resource Recovery Agency:

Administrative charges and support services (data processing, legal, etc.), insurance and reimbursement for debt service, Department of Environmental Control administrative services, payroll and related expenses for the various waste management and collection sites.	\$11,617,712
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Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

11. Component unit transactions (continued)

Expenditures:

Blended component units

Islip Resource Recovery Agency:

Tipping fees for the disposal of Town waste, approximately \$1,616,000

Annual lease payments for the Blydenburgh Landfill and Sayville Landfill Facility (inclusive of the material recovery facility). The annual lease payment is \$1 for each of the facilities. \$ 2

Discretely presented component units

Town of Islip Community Development Agency federal grants to subrecipients \$4,555,243

Other

In November 1989, the Town of Islip Community Development Agency issued \$6,000,000 in serial bonds (\$1,700,000 was outstanding at June 30, 2007 and \$1,200,000 at December 31, 2007). The Town has guaranteed the payment of principal and interest on these bonds.

12. Commitments and contingencies

Capital projects commitments

Outstanding capital projects commitments by category at December 31, 2007 are as follows:

General government support	\$ 1,928,482
Public safety	713,579
Transportation	8,946,735
Culture and recreation	861,652
Home and community services	250,595
Total	<u>\$12,701,043</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Litigation

The Town (in common with other municipalities) is subject to a number of lawsuits in the ordinary conduct of its affairs. It is the opinion of the Town Attorney that settlement of such suits, individually or in the aggregate, will not materially affect the financial condition of the Town.

Self-insurance/risk management

The Town's self-insurance program is used to cover possible losses resulting from claims paid within the deductibility provisions of the Town's general and auto liability coverage and workers' compensation insurance. The program is administered by an independent company, which provides claims review and processing services.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used to compute claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, including the effects of specific, incremental claim adjustment expenditures, salvage and subrogation; allocated claim adjustment expenditures are included.

The 2007 self-insurance activity, reflected in the General Fund, is summarized as follows:

Estimated liability for self-insurance as of January 1	\$10,795,891
Current year's claims, related expenses and changes in estimates	8,977,178
Less payments of claims and related expenses	<u>(7,283,280)</u>
Estimated liability for self-insurance as of December 31	<u>\$12,489,789</u>

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Grant programs

The Town and certain of its agencies participate in a number of federal, state and county grant programs. These programs are subject to financial and compliance audits by the grantors, or their representative and/or independent auditors. Based on past experience, the Town administration and agency management believes disallowances, if any, will be immaterial.

Remittance of school and county taxes

Under the Suffolk County Tax Act, taxes levied for school, Town and County purposes are collected by the Town Receiver of Taxes in two installments. After making payments to the school districts, the Town retains the amount necessary to satisfy its tax levy and remits to the County any remaining monies as a payment, in part, for taxes levied for County purposes. Thus, the Town is assured of realizing its full tax levy as long as aggregate uncollected taxes do not exceed that portion of the County's tax levy attributable to the taxpayers in the Town. At December 31, 2007, the Receiver of Taxes held approximately \$108,762,000 of 2007 - 2008 Town and various district tax levies, which were distributed in January 2008. Such amounts are not reflected in the Town's December 31, 2007 financial statements.

Islip Resource Recovery Agency (a blended component unit):

Litigation

The Islip Resource Recovery Agency is a defendant in several lawsuits arising from the normal conduct of its affairs. Management is of the opinion that the liability, if any, will not have a material adverse impact on the financial position of the Islip Resource Recovery Agency.

Environmental issues

On December 6, 2000, the Environmental Protection Agency (EPA) issued "Emission Guidelines for Existing Small Combustion Units". The regulations are applicable to the Islip Resource Recovery Agency's MacArthur Resource Recovery Facility. The regulations require that certain upgrades be performed on the facility to assure compliance with air emission regulations.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Islip Resource Recovery Agency (a blended component unit) (continued):

Environmental issues (continued)

The regulations have an effective date of February 5, 2001, and require compliance within approximately five years. The Islip Resource Recovery Agency intends to comply with the new EPA regulation by installing a wet scrubbing emission control system at an estimated cost of \$15,000,000. The Islip Resource Recovery Agency issued revenue bonds during 2004 in connection with the project.

Local Government Guarantee

Islip Resource Recovery Agency has accrued estimated post closure care costs for the Blydenburgh Road Landfill Complex, Cleanfill Phase 1 and capping, closure and post closure care costs for the Blydenburgh Road Landfill Complex, Cleanfill Phase 2, in the amount of \$17,557,820, which is net of anticipated reimbursement from the New York State Department of Environmental Conservation (NYSDEC) of \$2,000,000.

Pursuant to the Local Government Guarantee made by the Town to the NYSDEC and Islip Resource Recovery Agency, the total estimated liability of \$19,557,820 has been guaranteed by the Town.

Operation of MacArthur Resource Recovery Facility

The MacArthur Resource Recovery Facility (the Facility) is operated by Montenay Islip, Inc. (the Company) under an agreement effective March 8, 1990 for a period of twenty years with a renewal option for five years. The agreement was amended in May 1994. Under the terms of the agreement, the Company receives a service fee. The service fee consists of base, ash management and operating fees, which are based upon the tons of municipal solid waste processed plus 85% of the revenues from the sale of recovered materials, 25% of the revenues from the sale of electricity up to a threshold amount. The original 56,000,000 threshold was reduced in 2005 due to limitations resulting from the installation of the emission control system. The threshold was reduced further in 2007 to 53,152,847. The company also receives 50% of the revenues from the sale of any additional electricity sold each year and a transfer stations fee of \$14,441 per month.

The Islip Resource Recovery Agency reimburses the Company for "pass-through costs", which consist of certain insurance costs, LIPA charges, fees and expenses incurred in connection with Islip Resource Recovery Agency bonds and Town and highway taxes.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Islip Resource Recovery Agency (a blended component unit) (continued):

Operation of MacArthur Resource Recovery Facility (continued)

Pursuant to the terms of the amendment to the agreement, construction has commenced to effect capital improvements at the facility. The Company is acting as Construction Supervisor on these projects and is being compensated for this service at 7% of the cost of contracts supervised. All capital improvements will be the property of the Islip Resource Recovery Agency.

Town of Islip Community Development Agency (a discretely presented component unit):

Loan guarantee

The Town of Islip Community Development Agency issued \$6,000,000 in Community Development (Serial) Bonds, 1989 (Suffolk Avenue - Crooked Hill Road Community Development Plan) dated November 17, 1989. \$1,700,000 remains outstanding at June 30, 2007 and is payable in annual installments on November 15 in each of the years 2008 to 2010, both inclusive.

The bonds are general obligations of the Town of Islip Community Development Agency and do not constitute a debt of the Town. However, the Town has guaranteed the payment of principal and interest on the bonds.

Payroll

The Town of Islip Community Development Agency has an agreement with the Town in which the Town provides certain services related to code enforcement in designated areas and the Town of Islip Community Development Agency provides \$75,000 annually towards payroll.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Town of Islip Community Development Agency (a discretely presented component unit) (continued):

Litigation

The Town of Islip Community Development Agency holds mortgages on a number of parcels where the owners have declared bankruptcy, and also holds second mortgages on a number of parcels where the holders of superior mortgages have commenced foreclosure proceedings naming the Town of Islip Community Development Agency as a party defendant. The funds from these loans do not affect the Town of Islip Community Development Agency's ability to operate effectively on a day-to-day basis.

A potential claim exists by Brentwood Union Free School District against the Town of Islip Community Development Agency over the interpretation of a clause in a PILOT agreement signed in 1994 between the Town of Islip Community Development Agency, the School District, as well as others. The maximum potential exposure to the Town of Islip Community Development Agency in the event of a claim and loss is approximately \$800,000.

The Town of Islip Community Development Agency is a defendant in several other lawsuits. The ultimate outcome of these matters cannot be determined at this time.

The Town of Islip Community Development Agency has not been designated as a potentially responsible party regarding any of the property it presently owns. However, in efforts to clean premises with environmental liabilities, the Town of Islip Community Development Agency incurs expenses.

The Town of Islip Community Development Agency has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds to the federal and state governments. Based on past audits, the Town of Islip Community Development Agency's administration believes disallowance, if any, will be immaterial.

Town of Islip

NOTES TO BASIC FINANCIAL STATEMENTS

12. Commitments and contingencies (continued)

Islip's Housing Development Fund Company, Inc. (a discretely presented component unit)

Litigation (continued)

Islip's Housing Development Fund Company, Inc. has entered into a property management agreement with Central Islip Civic Council (CICC) to operate and manage their residential rental buildings. CICC will be performing these services on a cost only basis without a fee or commission. Any expenses incurred by CICC relating to the services, as well as insurance and indemnity coverage, will be reimbursed to CICC.

13. Subsequent events

The Town issued the following obligations:

December 1, 2008	\$15,015,000	Public Improvement (Serial) Bonds
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The proceeds of the bonds in the amount of \$15,015,000 will be used to finance various projects.

14. New pronouncements

The GASB has issued several new accounting statements, one of which the Town will be required to implement for the year ended December 31, 2008.

Statement No. 50, "Pension Disclosures - an Amendment of GASB Statements No. 25 and 27". This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 27, "Accounting for Pension by State and Local Governmental Employers", to conform with requirements of Statements No. 43, "Financial Reporting for Postemployment benefit Plans Other than Pension Plans", and No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions".

Town of Islip

BUDGETARY COMPARISON SCHEDULE GENERAL FUND GOVERNMENTAL FUNDS

For the Year Ended December 31, 2007

	<u>Budgetary Amounts</u>		<u>Actual Amounts</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Revenues:				
Real property taxes	\$ 25,667,517	\$ 25,667,517	\$ 25,667,517	\$ -
Real property tax items	847,000	957,000	900,318	(56,682)
Non-property tax items	3,328,500	4,028,500	4,164,264	135,764
Departmental income	18,471,400	20,940,006	20,772,346	(167,660)
Intergovernmental charges	11,336,400	12,786,400	12,644,395	(142,005)
Use of money and property	3,009,100	6,376,688	6,493,542	116,854
Licenses and permits	283,000	283,000	321,053	38,053
Fines and forfeitures	302,200	372,200	381,187	8,987
Sales of property and compensation for loss	296,600	1,366,600	1,451,609	85,009
Miscellaneous local sources	331,000	375,770	423,664	47,894
Interfund revenues	2,652,900	2,652,900	2,661,467	8,567
State aid	11,405,400	21,539,207	22,812,187	1,272,980
Federal aid	226,500	226,500	323,796	97,296
Total revenues	<u>78,157,517</u>	<u>97,572,288</u>	<u>99,017,345</u>	<u>1,445,057</u>
Expenditures:				
General government support	25,602,015	29,021,418	26,805,731	2,215,687
Public safety	8,227,000	8,413,309	7,399,116	1,014,193
Health	1,896,500	2,016,427	1,713,708	302,719
Transportation	9,317,800	9,611,713	8,558,083	1,053,630
Economic assistance and opportunity	1,504,350	1,610,645	1,437,111	173,534
Culture and recreation	11,527,700	11,711,614	10,816,169	895,445
Home and community services	7,528,702	7,449,160	6,885,596	563,564
Employee benefits	20,528,700	39,440,962	19,728,575	19,712,387
Debt service:				
Principal	11,911,314	11,911,314	11,911,311	3
Interest	4,814,436	4,814,436	4,814,435	1
Total expenditures	<u>102,858,517</u>	<u>126,000,998</u>	<u>100,069,835</u>	<u>25,931,163</u>
Deficiency of revenues over expenditures	<u>(24,701,000)</u>	<u>(28,428,710)</u>	<u>(1,052,490)</u>	<u>27,376,220</u>
Other financing sources (uses):				
Operating transfers in	310,000	785,000	7,573,038	6,788,038
Operating transfers out	<u>(30,000)</u>	<u>(8,078,140)</u>	<u>(7,126,886)</u>	<u>951,254</u>
Total other financing sources (uses)	<u>280,000</u>	<u>(7,293,140)</u>	<u>446,152</u>	<u>7,739,292</u>
Net change in fund balance	<u>\$ (24,421,000)</u>	<u>\$ (35,721,850)</u>	(606,338)	<u>\$ 35,115,512</u>
Fund balance at beginning of year			<u>63,475,679</u>	
Fund balance at end of year			<u>\$ 62,869,341</u>	

See accompanying note to Budgetary Comparison Schedule

Town of Islip

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FUND
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2007

	<u>Budgetary Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Real property taxes	\$39,688,868	\$39,688,868	\$ 39,688,868	\$ -
Real property tax items	-	-	-	-
Non-property tax items	-	-	-	-
Departmental income	-	-	4,646	4,646
Intergovernmental charges	-	-	-	-
Use of money and property	1,150,000	1,157,000	1,412,420	255,420
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sales of property and compensation for loss	-	-	-	-
Miscellaneous local sources	-	-	-	-
Interfund revenues	-	-	-	-
State aid	-	-	56,720	56,720
Federal aid	-	-	-	-
Total revenues	<u>40,838,868</u>	<u>40,845,868</u>	<u>41,162,654</u>	<u>316,786</u>
Expenditures:				
General government support	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic assistance and opportunity	-	-	-	-
Culture and recreation	-	-	-	-
Home and community services	40,475,668	40,520,579	40,051,457	469,122
Employee benefits	294,200	294,200	290,674	3,526
Debt service	-	-	-	-
Total expenditures	<u>40,769,868</u>	<u>40,814,779</u>	<u>40,342,131</u>	<u>472,648</u>
Excess of revenues over expenditures	69,000	31,089	820,523	789,434
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(119,000)	(135,373)	(135,373)	-
Proceeds of general long-term debt issued	-	-	-	-
Total other financing sources (uses)	<u>(119,000)</u>	<u>(135,373)</u>	<u>(135,373)</u>	<u>-</u>
Net change in fund balance	<u>\$ (50,000)</u>	<u>\$ (104,284)</u>	685,150	<u>\$ 789,434</u>
Fund balance at beginning of year			<u>3,385,611</u>	
Fund balance at end of year			<u>\$ 4,070,761</u>	

See accompanying note to Budgetary Comparison Schedule

RATINGS

Moody's Investors Service, Inc. (Moody's) has given the Bonds the rating Aa2. Standard & Poor's (S&P) has given the Bonds the rating AAA. Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, Inc., 7 World Trade at Greenwich Street, Public Finance Group, 23rd Fl, New York, New York 10007, (212) 553-0300; Standard and Poor's Rating Services, 55 Water Street – 40h Floor, New York, NY 10041, (212) 438-2400; There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the ratings, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Bonds.