

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 27, 2017

**NEW ISSUES
SERIAL BONDS – BOOK ENTRY**

**RATING: S&P GLOBAL RATINGS:
See “Bond Rating”, herein**

In the opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds will not be subject to the alternative minimum tax on individuals. In the further opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “TAX MATTERS” herein for a description of the opinion of Bond Counsel and certain other tax consequences.

The Bonds will NOT be designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 (the “Code”).

\$60,167,400

**TOWN OF BROOKHAVEN
SUFFOLK COUNTY, NEW YORK
(the “Town”)**

**GENERAL OBLIGATION SERIAL BONDS – 2017 (TAX EXEMPT)
(the “Bonds”)
[BOOK-ENTRY-ONLY BONDS]**

**BOND MATURITY SCHEDULE
(See Inside Front Cover)**

Security and Sources of Payment: The Bonds are 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 interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, without limitation as to rate or amount, subject to applicable statutory limitations. See “Tax Increase Procedural Limitation Legislation” herein.

Prior Redemption: The Bonds maturing on April 15, 2026 and thereafter are subject to redemption, prior to maturity, at the option of the Town, on April 15, 2025, and thereafter on any date, in accordance with terms described herein. (See “Optional Redemption for the Bonds” under “THE BONDS,” herein).

Form and Denomination: 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, (“DTC”) which will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination in 2019. Bondholders will not receive certificates representing their interests in the Bonds purchased. See “Book-Entry-Only System” under “The Bonds” herein.

Payment: Payment of the principal of and interest on the Bonds to the beneficial owners of the Bonds will be made by DTC Participants and indirect participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name.” Payment will be the responsibility of the DTC Participant or indirect participant and not of DTC or the Town, subject to any statutory and regulatory requirements as may be in effect from time to time. See “Book-Entry-Only System” under “The Bonds” herein.

Norton Rose Fulbright US LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, the firm expresses no opinion with respect thereto.

The Bonds are offered when, as and if issued and received by the purchasers and subject to the receipt of the legal opinion as to the validity of the Bonds of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, and certain other conditions. It is anticipated that the Bonds will be available for delivery in New York, New York, or at such place as may be agreed upon with the purchaser(s) on or about April 18, 2017.

THE TOWN DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. IN ADDITION, THE TOWN WILL COVENANT IN AN UNDERTAKING TO PROVIDE ANNUAL FINANCIAL INFORMATION AND OPERATING DATA AND NOTICE OF CERTAIN MATERIAL EVENTS (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE “ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING,” HEREIN).

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

\$60,167,400 GENERAL OBLIGATION SERIAL BONDS – 2017 (TAX EXEMPT)

BOND MATURITY SCHEDULE

Dated: April 18, 2017

**Principal Due: April 15, 2019-2037, inclusive
Interest Due: April 15, 2018, October 15, 2018 and
semi-annually thereafter in each year
until maturity**

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2019	\$3,702,400			
2020	3,810,000			
2021	3,930,000			
2022	4,045,000			
2023	4,165,000			
2024	4,295,000			
2025	4,425,000			
2026	4,555,000			
2027	4,695,000			
2028	4,835,000			
2029	4,980,000			
2030	1,430,000			
2031	1,470,000			
2032	1,515,000			
2033	1,565,000			
2034	1,610,000			
2035	1,660,000			
2036	1,715,000			
2037	1,765,000			

*Amounts are subject to adjustment by the Town following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 9(c)(2) of the Local Finance Law.

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

Department of Finance
One Independence Hill
Farmingville, NY 11738
Telephone: (631) 451-6680
Fax: (631) 451-6692

TOWN BOARD

Edward P. Romaine, Supervisor

Valerie Cartright - First District
Jane Bonner- Second District
Kevin LaValle - Third District
Michael Loguercio - Fourth District
Neil Foley - Fifth District
Daniel Panico - Sixth District - Deputy Supervisor

Donna Lent, Town Clerk
Tamara Wright, Commissioner of Finance
Annette Eaderesto, Esq., Town Attorney
Louis J. Marcoccia, Receiver of Taxes

* * *

BOND COUNSEL

Norton Rose Fulbright US LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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

E-mail: info@munistat.com
Website: <http://www.munistat.com>

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

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OFFICIAL STATEMENT

TOWN OF BROOKHAVEN SUFFOLK COUNTY, NEW YORK

\$60,167,400 GENERAL OBLIGATION SERIAL BONDS – 2017 (TAX EXEMPT) [BOOK-ENTRY BONDS]

This Official Statement and the appendices hereto present certain information relating to the Town of Brookhaven, in the County of Suffolk, in the State of New York (the “Town,” “County” and “State,” respectively) in connection with the sale of \$60,167,400 General Obligation Serial Bonds – 2017 (Tax Exempt) (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 dated April 18, 2017, and will mature on April 15 in each of the years 2019 to 2037, inclusive, in the principal amounts as set forth on the inside cover page hereof.

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 of the Bonds may be made in book-entry form only, in denomination of \$5,000 or integral multiples thereof, except for one necessary odd denomination in 2019. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable April 15, 2018, October 15, 2018 and semi-annually thereafter in each year to maturity. 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.

The Record Date of the Bonds will be the last day of the month preceding each interest payment date.

The Town will act as Paying Agent for the Bonds. Paying agent fees, if any, will be paid by the purchaser(s). The Town’s contact information is as follows: Tamara Wright, Commissioner of Finance, Town of Brookhaven, One Independence Hill, Farmingville, NY 11738, Phone (631) 451-6680, Fax (631) 451-6692 and email: twright@brookhaven.org.

Optional Redemption on the Bonds

The Bonds maturing on or before April 15, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on April 15, 2026 and thereafter will be subject to redemption, at the option of the Town, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after April 15, 2025, at par plus accrued interest to the date of redemption.

Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Authorization and Purpose for the Bonds

The 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, and various bond resolutions duly adopted and amended by the Town Board on their respective dates, authorizing the issuance of bonds for various capital purposes in and for the Town.

The Bonds will be used to provide original funds for various projects within the Town.

Recent Date <u>Authorized</u>	Most Recent <u>TBR #</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	Amount Issued To <u>Date</u>	Amount To <u>Be Issued</u>
04/16/2015	2015-0272	Installation of Truck Washes	\$250,000	\$ -	\$ 250,000
05/07/2015	2015-0361	Town-Wide Facility Improvements	700,000	-	200,000
12/03/2015	2015-0813	Park Improvements	5,300,000	4,000,000	1,300,000
12/03/2015	2015-0817	Installation of Information Technology	1,500,000	250,000	500,000
12/03/2015	2015-0822	Acquisition of Machinery & Equipment	760,000	425,000	75,000
12/03/2015	2015-0824	Town-Wide Building Improvements	3,000,000	2,000,000	573,400
12/03/2015	2015-0836	Town Wide Drainage Improvements	3,400,000	2,400,000	610,000
12/03/2015	2015-0847	Town Hall Improvements	400,000	-	56,000
12/15/2016	2016-0953	Stormwater Management	2,300,000	-	2,300,000
12/15/2016	2016-0970	Dredging of Lily Lake	4,550,000	-	3,000,000
12/15/2016	2016-0952	Town-Wide Facility Improvements	2,000,000	-	2,000,000
12/15/2016	2016-0944	Fire Island Boardwalk Improvements	100,000	-	100,000
12/15/2016	2016-0949	Landfill Improvements	2,500,000	-	2,500,000
12/15/2016	2016-0948	Acquisition of Machinery & Equipment	600,000	-	600,000
12/15/2016	2016-0947	Acquisition of Machinery & Equipment	1,850,000	-	1,850,000
12/15/2016	2016-0946	Marina Improvements	200,000	-	200,000
12/15/2016	2016-0945	Park Improvements	2,750,000	-	2,750,000
12/15/2016	2016-0971	Professional Planning and Design Services for Town-Owned Facilities	1,650,000	-	1,575,000
12/15/2016	2016-0957	Highway Improvements	12,300,000	-	12,300,000
12/15/2016	2016-0956	Installation of Traffic Signals	550,000	-	550,000
12/15/2016	2016-0969	Installation of Traffic Signs	100,000	-	100,000
12/15/2016	2016-0955	Acquisition of Vehicles	600,000	-	600,000
12/03/2015	2015-0816	Construction of Mechanics Garage	7,600,000	1,500,000	6,100,000
12/16/2014	2014-0887	Acquisition of Land for Town Roads, Rights-of- Way, Drainage, or Incidental Expenses	1,200,000	800,000	400,000
10/01/2015	N/A	Construction of South County Ambulance Building	13,000,000	-	6,000,000
12/03/2015	2015-0833	Acquisition of Land for Town Roads, Rights-of- Way, Drainage, or Incidental Expenses	1,800,000	-	1,800,000
12/15/2016	2016-0966	Acquisition of Land for Open Space Preservation	3,000,000	-	3,000,000
04/07/2016	2016-0298	Construction of Mastic Beach Ambulance Building	11,025,000	-	6,000,000
06/06/2015	2015-0587	Construction of Docks at Fire Island Pines	2,600,000	-	2,600,000
08/05/2008	2008-671	Watershed Management Plan	150,000	-	51,000
03/29/2011	2011-273	Replacement of Boardwalks on Fire Island	300,000	-	50,000
08/06/2013	2013-753	Drainage/Stormwater Projects - Swan Lake	1,350,250	-	123,000
07/15/2014	2014-550	Airport Improvements	1,350,000	-	54,000
Total			<u>\$ 90,735,250</u>	<u>\$ 11,375,000</u>	<u>\$ 60,167,400</u>

Book-Entry-Only System

So long as the Bonds remain in the Book-Entry-Only System, as described below, the Town will give such notice only to Cede & Co., or other successor nominee of DTC, as sole registered holder.

DTC, will act as 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 the Bonds and deposited with DTC for all of the Bonds bearing the same rate of interest.

DTC 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission (the "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 or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not 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 accounts of their holdings on behalf of their customers.

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

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

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

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

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 to DTC.

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

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof. In addition, 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, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

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

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

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, and a replacement book-entry securities depository is not appointed, the following provisions will apply: the Bonds will be issued in registered form in denominations of \$5,000, or integral multiples thereof, except for one necessary odd denomination. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the Town as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the Town Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Security and Source of Payment

The Bonds are general obligations of the Town and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Town is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011. See "Tax Increase Procedural Limitation Legislation" herein.

ENFORCEMENT OF REMEDIES UPON DEFAULT

The following description of factors affecting the possible enforcement of remedies upon a default by the Town is not intended to constitute legal advice and is not a substitute for obtaining the advice of counsel on such matters. Factors governing the availability of remedies against the Town are complex and the obligations of the Town, under certain circumstances, might not be enforced precisely as written.

General Municipal Law Contract Creditors' Provision. The Bonds when duly issued and paid for will constitute a contract between the Town and the purchaser. Such contracts, if not honored, would generally be enforceable through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might apply if there were a default in the payment of the principal of and interest on the Bonds.

Unavailability of Remedies of Levy and Attachment. 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 have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. Under the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

Constitutional Non-Appropriation Provision. The Constitution of the State, Article VIII, Section 2, contains the following provision relating to the annual appropriation of monies for the payment of principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any owner of obligations issued for any such indebtedness." This constitutional provision providing for first revenue set asides applies to the payment of interest on all indebtedness and to the payment of principal maturing on bonds, but does not apply to principal due on tax anticipation notes, revenue anticipation notes or bond anticipation notes. If the Town were to fail to make a required appropriation, however, the ability of affected owners of Town indebtedness to enforce this provision as written could be compromised or eliminated as described below under "Bankruptcy", "State Debt Moratorium Law" and "Possible Priority of Continuation of Essential Public Services".

Bankruptcy. The Federal Bankruptcy Code allows municipalities, such as the Town, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Should the Town file for relief under the Federal Bankruptcy Code there could be adverse effects on the owners of the Bonds.

The State, in Section 85.80 of the Local Finance Law, has authorized any municipality in the State to file a petition with the 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 State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

Under the United States Constitution, Federal law is supreme and may be enforced irrespective of contrary state law. Accordingly, proceedings in accordance with the Federal Bankruptcy Code could result in an allocation of funds that fails to honor the faith and credit pledge required by the State Constitution.

No current State law purports to create any collateral or priority for owners of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. The Bonds could be deemed unsecured obligations of the Town in a bankruptcy case.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality that is insolvent, which generally means the municipality is unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors. Any plan of adjustment can be confirmed by the court over the objections of creditors if the plan is found to be "fair and equitable" and in the "best interests of creditors." A plan of adjustment may alter the terms and provisions of the Bonds, including the payment terms, interest rate, maturity date, and payment sources, as long as the bankruptcy court finds that the alterations are "fair and equitable." If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

Accordingly, the rights of the owners of Bonds to receive interest and principal from the Town and the enforceability of the Town's faith and credit pledge to pay such interest and principal could be adversely affected by the restructuring of the Town's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of owners of debt obligations issued by the Town (including the Bonds) to payment from monies retained in any fund or from other sources would be recognized if a petition were filed by or on behalf of the Town under the Federal Bankruptcy Code. Such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally, or might even be directed to satisfy other claims instead of being paid to the owners of the Bonds.

Regardless of any specific adverse determinations in a bankruptcy proceeding of the Town, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and market value of the Bonds.

State Debt Moratorium Law. Unless the Federal Bankruptcy Code or other Federal Law applies, as described above, enforcement of the rights of Bond owners will generally be governed by State Law. In 1975, a general State law debt service moratorium statute was enacted.

Under that legislation, the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York was suspended. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

Accordingly, State legislation materially limiting the timing or manner of actions to enforce the faith and credit pledge against an issuer of general obligation debt (including that portion of Title 6-A of Article 2 of the Local Finance Law enacted in 1975 authorizing any municipality in a State-declared financial emergency period to petition to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality) could be determined to conflict with the State Constitution and may not be enforceable.

Possible Priority of Continuation of Essential Public Services. In prior years, certain events and legislation affecting an owner's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of note or bond owners, such courts might hold that future events, including financial crises as they may occur in the State and in political subdivisions of the State, require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

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

THE TOWN

There follows in this Statement a brief description of the Town, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures and general and specific funds.

The Town, with a land area of over 259 square miles and a current estimated population of 488,930 (2015 US Census Bureau), is located in the central portion of Suffolk County approximately 60 miles east of Manhattan. It is the second largest town in the State by population and the fifth largest town in the State by land area. The south shore of the Town stretches for approximately 23 miles along the Great South Bay and the Atlantic Ocean and its north shore spans approximately 27 miles along Long Island Sound. The Town includes 9 incorporated villages and 19 independently governed school districts, and is primarily residential in character with considerable commercial development. Police protection is provided by the County and the incorporated villages; fire protection and emergency medical services are provided by local volunteer fire companies and ambulance districts.

Commercial facilities include regional covered shopping malls, such as the Smith Haven Mall, which includes Macy's, JC Penney, and Sears, Roebuck & Co., as its anchor stores; large warehouse/retail stores such as Home Depot, Lowe's Home Improvement Center, Sam's Club, Costco, Walmart, K-Mart, Target, Best Buy and Kohl's; smaller and medium-sized neighborhood shopping centers; and downtown commercial centers in Patchogue and Port Jefferson, for example. Larger institutional and governmental operations located in the Town include the Brookhaven National Laboratory, the State University at Stony Brook and Medical Center, the main campus of Suffolk County Community College and the Internal Revenue Service Center at Holtsville. Residential development consists primarily of single-family homes, but also includes a variety of other housing such as town-house condominium complexes, garden apartments and several planned retirement communities (PRC's).

Transportation

Rail service is provided to the Town by three branches of the Long Island Rail Road, operated by the Metropolitan Transportation Authority. The Montauk line serves the south shore of the Town, the Main line serves the central portion of the Town, and the Port Jefferson line serves the north shore. All three lines provide transportation to New York City.

Interstate 495 (the Long Island Expressway) and Route 27 (Sunrise Highway) connect the Town with the New York City metropolitan area. Ferry service is available from Port Jefferson, on the Town's north shore, across Long Island Sound to Bridgeport, Connecticut. Davis Park Ferry Co. operates daily service to Davis Park and Watch Hill, Fire Island from the Sandspit Marina in Patchogue. Davis Park is a community and public beach operated by the Town.

Located in the Town of Islip, on the Town's border, is Long Island MacArthur Airport. It serves as a major transportation hub and economic engine throughout the region, including the Town. American Airlines and Southwest Airlines operate at MacArthur Airport and offer direct flights to and from select airport throughout the United States. Currently, there are plans to build a Customs Office within the airport to allow services of international flights from airports with "pre-clearance" status, which would raise the airport's profile and strengthen the economic engine that MacArthur provides.

Utilities and Other Services

Throughout the Town, gas and electricity are provided by National Grid and the Public Service Enterprise Group of Long Island ("PSEG"), respectively.

The Suffolk County Water Authority is the primary supplier of water for the Town and is responsible for the financing and construction of the necessary facilities. There are also several private water companies and water districts in the Town, all of which were established prior to 1963.

The County, through the establishment of County improvement districts, is primarily responsible for providing sanitary sewer services, and for the financing and construction of facilities required therefor. The Town had previously established two Town sewer improvement districts, and pursuant to agreement, the County has assumed the responsibility for operation and maintenance of these facilities. Sewer District #2 has recently completed construction in an area of expected commercial development and the Town expects it to contribute to significant growth in the near future.

Healthcare

There are a few major Hospitals located within the Town; Brookhaven Memorial Hospital Medical Center, Stony Brook University Hospital, St. Charles Hospital, and John T. Mather Memorial Hospital.

Brookhaven Memorial Hospital Medical Center is a 306 bed, non-for-profit community hospital located in Patchogue. It has been around since 1956 and has grown since, while serving the 28 communities throughout central Suffolk County. The Hospital just completed a \$61 million expansion and a 13,000 square foot addition, including a new cardiac care center.

Stony Brook University Hospital (SBUH) is Long Island's premier academic medical center. With 597 beds, SBUH serves as the region's only tertiary care center and Level 1 Trauma Center, and is home to the Stony Brook Heart Institute, Stony Brook Cancer Center, Stony Brook Long Island Children's Hospital, Stony Brook Neurosciences Institute, and Stony Brook Digestive Disorders Institute. SBUH also encompasses Suffolk County's only Level 4 Regional Prenatal Center, state-designated AIDS Center, state-designated Comprehensive Psychiatric Emergency Program, state-designated Burn Center, the Christopher Pendergast ALS Center of Excellence, and Kidney Transplant Center. It is home of the nation's first Pediatric Multiple Sclerosis Center.

St. Charles Hospital is a 231 bed acute-care community hospital located in Port Jefferson, NY. It is a member of Catholic Health Services of Long Island, and has served the residents of the Three Village area for more than 100 years. It is a non for profit hospital that features three centers of excellence; Maternal/Child, Orthopedics, and Long Island's premier center for Rehabilitation. It is renowned for its outstanding customer service and has scored as one of the top hospitals on Long Island in the delivery of high quality care.

John T. Mather Memorial Hospital is an accredited 248-bed, non-profit community hospital dedicated to providing a wide spectrum of health care services of the highest quality to the residents of Suffolk County in a cost effective manner. Mather Hospital opened its doors on December 31, 1929 as the first not-for-profit community hospital in the Town of Brookhaven with only 54 beds. Its growth has continued over the years and now serves approximately 12,000 inpatients and 43,000 emergency cases a year. On July 29, 2013 the Brookhaven Local Development Corporation approved \$24 million in the exempt financing for the expansion of the hospital. The project will add 28,400 square feet to the hospital and is expected to lead to the creation of 111 new jobs.

Education

College facilities in the Town include the State University at Stony Brook, Suffolk County Community College, Saint Joseph's College, and Briarcliffe College.

Stony Brook University has a campus that has 1,039 acres and is located on the North Shore of Long Island. Within the campus is a sports stadium that holds 8,300 people, performing arts center that has a 5,000 square foot art gallery as well as five theaters that hold more than 50 world class performances annually and more than 450 music events each year. The University is Long Island's largest single site employer providing nearly 14,000 jobs. As Long Island's only public Research University, Stony Brook produces the educated workforce that drives the area's high tech economy.

Suffolk County Community College (SCCC) has approximately 25,000 students enrolled in the three locations, Selden, Brentwood and Riverhead. It is the largest community college in New York State. SCCC offers Associate degrees in Arts, Science, and Applied Science as well as professional certificates in more than 100 programs of study.

Saint Joseph's College has two campuses, one in Brooklyn, New York and the other located in Patchogue, New York. The Long Island campus is 27 acres and features modern, state of the art facilities, including the recently by completed Business Technology Center, an athletic center, theater, library, auditorium, and athletic field for its students to participate in sports and extracurricular activities.

Briarcliffe College has been serving Long Island for more than 35 years. It offers Diplomas' Associate Degrees, and Bachelor Degree Programs. There are three campuses throughout Long Island, at Patchogue, Bethpage, and Queens, making it convenient for all areas. Briarcliffe College also makes online programs available to those who cannot commute to the campuses. Briarcliffe College is no longer accepting applications and will cease operations in December, 2018.

Dowling College had a campus in Shirley, New York, approximately 65 miles east of Manhattan. There were approximately 2,100 students enrolled at Dowling College who are able to choose from a wide variety of degree programs. Dowling College has experienced financial stress over the past several years and has officially closed and withdrawn the college's accreditation effective August 31, 2016.

Recreation

The Town operates a number of parks, marinas and beaches which are important to maintaining the high quality of life that attracts appropriate development. The Fire Island National Seashore, a major regional recreation area, attracts thousands of visitors to the Town every summer.

The Town of Brookhaven Ecology Site, Park & Animal Preserve is located on a reclaimed landfill. Since 1974, when the landfill closed, the Town of Brookhaven employees had worked to re-vegetate the hills filled with garbage and to build a modern recreational and educational facility. Some of the amenities at the Holtsville Park include: a triple pool complex; exercise-trail fitness course; nature preserve and ecology center, featuring buffalo, bobcats, eagles, ecology exhibits and tours, free compost, greenhouses and a picnic area.

There are six boating marinas located within the Town. They consist of the Port Jefferson Marina, Mt. Sinai Marina, Sandspit Marina, Blue Point Marina, Forge River Marina, and Davis Park Marina. Fifteen dock and boat launch facilities throughout the Town allow residents to participate in activities such as fishing, boating, swimming, kayaking, and other water sports and activities.

The Town abounds with the art of live performances. Theater lovers and concert goers know that the finest regional presentations can be found in any of several live theaters in the Town. There are five theaters throughout the Town allowing residents to see world class performances. In addition, there are ten different museums offering unique collections, objects and memorabilia.

Development

The Town has a master plan for development which is updated to reflect substantial increases in population and growth over the past few years. This plan affords a coordinated approach to meeting the Town's development goals while at the same time protecting the Town's underground water supply and other natural resources and preserving the generally high quality of life of the Town's residents.

The plan calls for suburban residential development and economic development of clean, light industry and service industries such as electronics and data processing, as well as funding for open space acquisitions. In November, 2004, the Town's residents approved a \$100 million bond referendum to acquire open space and parkland. Such authorization was funded by the issuance of the Town's \$100,000,000 Open Space Preservation Serial Bonds - 2007, which were issued on May 1, 2007. The Town was able to refinance such bonds in May of 2015. The Town has dedicated approximately \$52 million to the funding of open space since 2007.

Brookhaven's growth has been steady and visible over the last few decades, and plans are for even more development in the years to come. In a relatively short period of time, the largest township on Long Island has become a mega-center of activity for healthcare, technology, energy resources, higher education and small business.

The private sector has been particularly robust. In the last few years, a thriving pharmaceutical industry has sprouted up in the Town. Amneal Pharmaceuticals, a developer of generic drugs, continues to build major facilities on Long Island, including one in the Town. There are small electronics firms, construction companies big and small, internationally known investment outfits such as Renaissance Technologies Corp., major national distributors including Quality King Inc., and the world famous Grucci fireworks company, which has lit up the skies on the Fourth of July and at Presidential Inaugurations.

There are now some 23,000 businesses in the Town. The Industrial Development Agency (IDA) and Local Development Corporation (LDC) are available to assist businesses in obtaining tax incentives and bonds to help them grow and remain within the Town, generating tax revenue and jobs. In 2016, the IDA/LDC closed on 8 economic development projects – which included manufacturing, solar projects, and retirement communities.– creating more than 800 permanent and construction jobs and bringing private investments totaling more than \$189 million into the Town.

Some of the projects that were completed in 2016 include Penn Fabricators, a countertops and wall-cladding manufacturer that constructed a 30,000 square foot facility; United Fence, a guardrail manufacturer and distributor that constructed a 25,000 square foot new facility; Burmax Corporation, a beauty supplies distributor that constructed a 26,000 square foot addition to its existing 104,000 square foot facility; and Brookhaven Memorial Hospital, which purchased the John J. Foley center for its hospital operations as well as other associated uses.

There are several new projects in the Town that are proposed for 2017 including Blue Point Brewery/Anheuser-Busch, which plans to renovate the former Briarcliff College building for their brewery operation and tasting room. Also expected to be completed in 2017, is the state of the art United Rental 25,000 square foot facility that will act as the tri-state area hub for rental equipment.

Proposed 2017 projects are expected to result in over \$340 million in investments, produce almost 1,500 construction jobs, and retain and create almost 600 permanent jobs.

The Town has over 1,500-acres of ready-to-build prime industrial sites, including eight industrial parks, which are home to Stony Brook Technology Center and the Town's 235-acre Research and Development Park in Shirley.

One of the larger projects in the next five years will be the Ronkonkoma Hub development. This mixed use development project will result in over a half of a billion dollars of investment into the Town. The projects will generate new construction and permanent retail, security, and administrative jobs, as well as rental housing.

Undoubtedly the best-known entities in the Town, which are recognized nationally and internationally, are Brookhaven National Laboratory and the State University of New York at Stony Brook, home of Stony Brook University Hospital.

These major institutions are not only job-generators, but also creators of new businesses, new technologies and the nation's future leaders in science and technology. BNL, as it is commonly called on Long Island, grew up with the region in the years immediately after World War II. It occupies a staggering 5,300-acre site, employs 3,350 well-paid employees and generates close to \$1 billion annually in economic output to the region. BNL is the only national lab of its kind in the Northeast, and is one of New York State's largest centers of scientific research. Two of BNL'S major international projects are the National Synchrotron Light Source and the Relativistic Heavy Ion Collider. The Lab in the last year has made available some of its scientific research to businesses, which are working to develop the research into commercial enterprises.

Stony Brook is one of the State University's largest campuses, and specializes in science, engineering and technology. The college has more than 13,000 employees on its more than 1,000-acre campus. Stony Brook is rated amount the top 100 universities in the country, and among the top 35 public universities. It has about 24,000 students and generates over \$4 billion in spending for the economy. Stony Brook estimates that its students and families spend approximately \$175 million on Long Island. It accounts for 4% of the Long Island economy.

Stony Brook University Hospital has added significantly to Long Island's system of healthcare. The facility has 603 beds, 5,290 employees, 1,095 physicians and has a total annual economic impact of \$1.6 billion.

At present there is a large amount of land available for further development throughout the Town. Although there is still substantial acreage devoted to agriculture, there has been significant residential, commercial, and industrial construction in recent years. The following statistics relative to building permits and industrial/commercial site plans reviewed indicate the level of activity.

Building Permit Activity

The Town's Planning and Environment - Building Division is responsible for the administration and enforcement of the New York State Uniform Fire Prevention and Building Code. A building permit is required for various types of improvements such as new homes, additions, alterations, solar, detached garages, sheds, decks, gazebos and swimming pools. Granting commercial building permits as well as accessory apartment and house rental permits are also the responsibility of the Town. The following represents the building permit activity within the Town over the last several years.

Building Permits Issued - All Types^a

2011	-	8,366 permits
2012	-	8,422 permits
2013	-	9,067 permits
2014	-	11,344 permits
2015	-	13,214 permits
2016	-	13,109 permits

Source: Town of Brookhaven Building Division.

Governmental Organization

The Town was incorporated in 1655 and is located in Suffolk County ("County"). The County has ten towns located therein. Some of such Towns contain incorporated villages established for purposes of providing certain municipal services and facilities to their residents. The Town is a political subdivision of the State having its own elected legislative body, the Town Board, pursuant to Constitutional provisions and, except for certain contractual arrangements for cooperative provisions of some services or facilities, the Town does not rely in any manner upon the County or Villages for purposes of providing local government needs. There are no cities within the Town.

The legislative body of the Town is its Town Board of seven members, the presiding officer of which is the Town Supervisor who is the chief fiscal officer of the Town and is elected for a two-year term. The six additional members of the Town Board are also elected for two-year terms. The Supervisor is elected at large; council members are elected from six councilmatic districts.

Additional Town officers are the Receiver of Taxes and the Town Clerk (both elected to four-year terms) and the Superintendent of Highways (elected to a two-year term). The Town Board appoints the Commissioner of Finance and the Town Attorney.

The Town provides a majority of municipal services to its residents and maintains Town highways, planning, zoning, regulation of building construction and licensing of trades and occupations along with the usual municipal services including recreational facilities and street lighting. Police protection is provided by the County and fire protection and ambulance service is provided through various independent fire districts in the Town and voluntary fire organizations. Social services and health services, to the extent provided on a public basis, are essentially County responsibilities.

Financial Organization

Pursuant to the Local Finance Law, the Supervisor is the chief fiscal officer of the Town. According to the New York State Town Law, the Town Board is empowered to appoint a Commissioner of Finance and to delegate to such Commissioner certain financial functions of the Town as provided by law. The Commissioner of Finance serves as the Accounting Officer of the Town and Town Comptroller and Budget Director. Her duties include the administration, direction and control of Accounting, Accounts Payable, Accounts Receivable, Audit and Control, Payroll, Operating and Capital Budgeting, and forecasting and financial reporting.

Town Management Biographies

Town Supervisor, Edward P. Romaine

Edward P. Romaine was re-elected as the Town of Brookhaven's 71st Supervisor on November 3, 2015. Supervisor Romaine continues to focus on fiscal responsibility and quality of life issues for the Town. His 2015 and 2016 Operating and Capital Budgets were adopted unanimously by the Town Board, and reduced the reliance on surplus to balance the budget in every fund.

Fiscal year 2014 actual results yielded surpluses of approximately \$13.0 million in the Town's General Fund, after years of planned deficits of the same amount. Mr. Romaine is the architect of a \$26 million turnaround in the Town's finances in just two years. Fiscal year 2015 results yielded surplus of an additional \$4.7 million in the General Fund.

In addition, he led the charge to eliminate over \$28 million in "Pipeline Debt" related to Capital Projects, and reduced the Town's annual Capital Budget through the careful selection of public improvement projects. He established a Capital Projects Selection Committee and developed evaluation criteria to identify the highest priority projects.

Mr. Romaine stopped the Town's borrowing for New York State Pension Contributions, which was almost \$10 million when he took office in 2012. In 2015, he delivered on his promise and paid off all of the Town's debt to the New York State Retirement System.

Recognizing Mr. Romaine's fiscal leadership and ability to set, manage and achieve strategic financial goals for a large, complex municipality, the *Long Island Business News* named Ed Romaine as recipient of their 2015 Chief Financial Officer of the Year Award. Additionally, in May 2015, Supervisor Romaine was appointed to the Long Island Regional Economic Development Council by Suffolk County Executive Steve Bellone. The LIRPC is a critical body which works on promoting sustainable growth and developing regional solutions to move Long Island forward.

In addition to his financial accomplishments, Mr. Romaine increased Public Safety surveillance, cracked down on illegal rooming houses and unscrupulous landlords, adopted a plan to preserve the Carmans River which includes the purchase of open space properties, created a Green Buildings Committee, implemented a Solar and Wind Energy Program to reduce Brookhaven's carbon footprint and generate new revenues, and expanded the Town's regional Single Stream Recycling Program.

Mr. Romaine was elected to the Suffolk County Legislature serving from 1986 through 1989, where he was known as a fiscal conservative, sponsoring cost-saving measures such as the Suffolk County Tax Cap. Additionally, he established a record as a fighter for the environment by authoring the County's first Clean Water Act. In 1989, he was elected Suffolk County Clerk and served for sixteen years, taking an active role in increasing productivity and improving access to official records. Mr. Romaine is recognized as a pioneer in government use of technology and was chosen "2001 New York State County Clerk of the Year."

In 2005, Mr. Romaine was again elected to the County Legislature, representing the First Legislative District and re-elected in 2007, 2009, and 2011. As a County Legislator, Mr. Romaine helped preserve countless acres of open space across the eastern portion of the County, the North Fork and Shelter Island. He sponsored numerous pieces of landmark legislation including “Michael’s Law,” which banned explosive fuel gels; the State’s first Local Law to regulate helicopter traffic; and established the LIPA Oversight Commission. In addition, Mr. Romaine reduced the tax burden on residents by promoting smart government initiatives and real tax reform.

In November 2012, Mr. Romaine was elected Town of Brookhaven Supervisor, and has been returned to office twice.

For ten years, Mr. Romaine served as a history teacher in the Hauppauge School District. In 1980, he entered public service as the Town of Brookhaven’s first Commissioner of Housing and Community Development and was later appointed Director of Economic Development.

Ed Romaine earned a B.A. in History from Adelphi University and a Masters in History from Long Island University.

Town Attorney, Annette Eaderesto, Esq.

Ms. Eaderesto was appointed Town Attorney on January 8, 2013, and had previously served as Special Counsel to the Town since 2001. She is also Counsel to the Town’s Industrial Development Agency and the Local Development Corporation. Prior to her appointment as Special Counsel in 2001, Ms. Eaderesto was Town Attorney from 1999 to 2001; was Deputy Town Attorney from 1996 until 1998; was principal in the law firm of Blake & Eaderesto, P.C.; and was an Assistant Town Attorney from 1984 to 1985. She is a 1982 graduate of Hofstra University School of Law; is admitted to practice law in the State of New York and the Federal District Courts for the Eastern and Southern Districts of the State of New York; and has concentrated principally in the area of land use and municipal law.

Commissioner of Finance, Tamara Wright

Tamara Wright was reappointed to her third term as Commissioner of Finance for the Town at the 2016 Organizational meeting. Ms. Wright has focused on improving the operating and capital budget planning processes, strengthening accounting methods, budgetary compliance and financial reporting, developing a data base for capital projects to map funding sources and cash, enhancing financial and internal controls throughout the Town, formalizing the internal audit function of the Town, and implementing new financial systems functionality.

Prior to the Town of Brookhaven, Ms. Wright served two terms as Town Comptroller for the Town of Southampton, after acting as a financial consultant to the Town. Ms. Wright led the restructuring of the Comptroller’s Office, oversaw the restatement of financial records, implemented an improved accounting model, and managed several financial, regulatory, and forensic audits.

Ms. Wright worked in the private sector at Prudential Financial for sixteen years in their domestic and international securities, brokerage, and private banking businesses, serving in a variety of roles including Chief Operating Officer for international businesses. She worked at Price Waterhouse Coopers (legacy Price Waterhouse) as a Management Consultant for six years for both non-profit and for-profit organizations. Ms. Wright began her professional career as an accountant at a liberal arts college before completing her Masters of Accountancy degree at Virginia Tech, where she also taught Accounting Principles as a Graduate Teaching Assistant.

Ms. Wright has expertise in private and public finance, financial and internal controls, strategic and multi-year planning, internal audit, information systems management, human resources, and facilities management. She has served on boards of various investment and brokerage companies worldwide.

Employees

The Town provides services through approximately 859 full-time employees, 740 of which are represented by the Suffolk Chapter of the Civil Service Employees Association, Inc. Of the 740 civil service employees, approximately 310 are represented by the CSEA White Collar Unit, 214 are represented by the CSEA Highway Unit, and 216 are represented by the CSEA Blue Collar Unit. The Town has entered into labor agreements with the CSEA Blue Collar Unit, and White Collar Unit for an eight-year period ending December 31, 2019. The Highway Unit contract ends December 31, 2019.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

Since 1960, the Town has had a population trend, as compared to the County, the State and the United States, as indicated below:

<u>Year</u>	<u>Town of Brookhaven</u>	<u>Suffolk County</u>	<u>New York State</u>
1970	245,260	1,127,030	18,241,391
1980	365,015	1,284,231	17,557,288
1990	407,786	1,321,864	17,990,455
2000	448,248	1,419,369	18,976,457
2010	486,040	1,493,350	19,378,102
2015	488,930	1,501,373	19,673,174

Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Brookhaven	\$16,726	\$24,191	\$32,663	\$ 35,067
County of Suffolk	18,481	26,577	35,755	37,634
State of New York	16,501	23,389	30,948	33,236
	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015^a</u>
Town of Brookhaven	\$47,074	\$62,475	\$81,654	\$ 87,040
County of Suffolk	53,244	72,112	96,220	102,582
State of New York	39,741	51,691	67,405	71,913

Source: United States Bureau of the Census

a. Based on American Community Survey 1-Year Estimates (2015)

Unemployment Rates

<u>Annual Averages:</u>	<u>Town of Brookhaven (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2011	7.6	7.3	8.0
2012	7.3	7.8	8.6
2013	7.6	6.5	7.7
2014	5.3	5.3	6.4
2015	4.8	4.8	5.3
2016	4.4	4.3	4.9

Source: Department of Labor, State of New York

Selected Listing of Larger Employers (As of 2016)

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number Of Employees</u>
State University at Stony Brook	Education	13,000
Stony Brook University Medical Center	Medical Center	6,000
Brookhaven National Laboratory	Laboratory	3,000
John T. Mather Hospital	Hospital	1,967
Brookhaven Memorial Hospital	Hospital	1,750
Three Village Central School District	Education	1,650
William Floyd Union Free School District	Education	1,650
St. Charles Hospital	Hospital	1,600
Quality King Distributors	Commercial	862
Nursing Care at Medford	Nursing Home	580

Source: Division of Economic Development Town of Brookhaven.

INDEBTEDNESS OF THE TOWN

Constitutional and Statutory Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, 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; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

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

Statutory Procedure

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

Pursuant to the Local Finance Law, the Town authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members (that is, five of the seven members) of the Town Board, the finance board of the Town. Customarily, the Town Board has delegated to the Town Supervisor, as chief fiscal officer of the Town, the power to authorize and sell bonds and bond anticipation notes in anticipation of the sale of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) such obligations are authorized for a purpose for which the Town is not authorized to expend money, or
 - (2) there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations
- and an action contesting such validity is commenced within twenty days after the date of such publication, or,
- (3) such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the Town complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

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 restrictions (Constitution, Local Finance Law and case law) relating to the period of probable usefulness thereof.

The Town Board, as the finance board of the Town, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the Town Supervisor, the chief fiscal officer of the Town, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year, provided that annual principal installments are made in reduction of the total amount of such notes outstanding. These installments must commence no later than two years from the date of the first issuance of such notes, and such renewals generally may not extend more than five years beyond the original date of borrowing. (See “Payment and Maturity” under “Constitutional Requirements” herein).

In general, the Local Finance Law contains provisions granting the Town with power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget notes (See “Indebtedness of the Town” herein).

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the new Tax Levy Limit Law imposes a statutory limitation on the power of the Town to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the new Tax Levy Limit Law. The Town Board may override such limitations. See “Tax Increase Procedural Limitation Legislation” for a description of the Tax Levy Limit Law and the definition of “Tax Levy Increase Limit” as used herein.

The following pages set forth certain details with respect to the indebtedness of the Town.

Debt Management and Capital Budget Policy

On November 2, 2010 a majority of the voters of the Town approved a local law providing for a Debt Management and Capital Budget Policy in the Town. The intent of the policy is to establish a capital budgeting system for the purpose of approving and authorizing capital projects within the Town. The capital budget contains all recommended capital projects for the next succeeding fiscal year and the two following fiscal years. No project may proceed nor may funds be expended on any capital project unless said project is included in the capital budget. Revisions to the capital budget that increase the capital budget require a corresponding offset to the capital budget equal to or greater than the amount of the proposed increase. In those instances, where the projects are financed with grant funds the offset is required to be equal to the local share only.

Pursuant to the policy, budgeted debt service expenditures in the Town-wide General Fund shall not exceed 15% of the Town-wide General Fund revenues, excluding any application of surplus, or 15% of Town-wide General Fund expenditures, whichever is less. The 15% limitation is calculated based upon the actual Town-wide General Fund revenues or expenses of the last prior completed fiscal year.

Notwithstanding the provisions of the local law, in the event of an emergency, the budgeted debt service expenditures in the Town-wide General Fund may be increased by two-thirds majority vote of the Town Board. The new local law requires compliance by the Town no later than December 15, 2015. As of the date of this Official Statement, the Town is in compliance with the policy and expects to be in compliance in 2016.

The following tables set forth the computation of debt limit and the calculation of total net indebtedness of the Town in accordance with the constitutional requirements herein above described.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As March 27, 2017)

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Rate (%)</u>	Full <u>Valuation</u>
2013	\$458,388,289	0.91	\$50,372,339,451
2014	457,868,434	0.95	48,196,677,263
2015	458,089,070	0.95	48,219,902,105
2016	456,266,738	0.95	48,028,077,684
2017	457,806,768	0.91	<u>50,308,436,044</u>
Total Five Year Full Valuation			\$245,125,432,547
Average Five Year Full Valuation			49,025,086,509
Debt Limit - 7% of Average Full Valuation			3,431,756,056
Inclusions:			
Outstanding Bonds:			
Various Purpose Bond			505,230,150
Refunded Bonds			82,075,000
Open Space Bonds Act of 2004			<u>60,230,000</u>
Sub-Total			647,535,150
Bond Anticipation Notes			<u>0</u>
Total Inclusions			<u>647,535,150</u>
Exclusions:			
Appropriations			30,795,850
Cash on Hand for Refunded Bonds			<u>82,075,000</u>
Total Exclusions			112,870,850
Total Net Indebtedness Prior to the Issuance of the Bonds			<u>534,664,300</u>
The Bonds			<u>60,167,400</u>
Less: BANs to be redeemed by the Issuance of the Bonds			0
Net Effect of the Bonds			<u>60,167,400</u>
Total Net Indebtedness After the Issuance of the Bonds			<u>594,831,700</u>
Net Debt Contracting Margin			<u><u>\$2,836,924,356</u></u>
Percent of Debt Limit Exhausted			17.33%

- a. In November 2004, the Town's residents approved a \$100 million bond referendum to acquire open space and parkland. Such authorization was funded by the issuance of the Town's \$100,000,000 Open Space Preservation Serial Bonds – 2007, which were issued on May 1, 2007 and refunded on May 19, 2015. The final maturity is May 1, 2027.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Town has no short-term debt outstanding.

Debt Service Requirements - Outstanding Bonds

FYE			
	<u>December 31:</u>	<u>Principal</u>	<u>Interest</u>
			<u>Total</u>
2017		\$46,468,350	\$20,217,865
2018		47,884,300	18,602,383
2019		49,250,000	16,891,091
2020		50,485,000	15,062,422
2021		49,740,000	13,284,133
2022		50,120,000	11,506,293
2023		50,525,000	9,705,000
2024		48,750,000	7,891,817
2024		47,160,000	6,153,090
2024		47,700,000	4,479,243
2024		48,370,000	2,672,505
2024		24,645,000	1,315,775
2024		11,805,000	653,309
2024		6,160,000	258,328
2024		1,495,000	103,793
2024		285,000	16,914
2031		290,000	6,045
Totals		<u>\$581,132,650</u>	<u>\$128,820,004</u>
			<u>\$709,952,654</u>

- a. Interest amount represents gross interest. Does not include subsidy received from the U.S. Government on the New York State Municipal Bond Bank Agency 2009 Recovery Act Bonds, or from the New York State Environment Facilities Corp. Refunded Bonds and the payments made to date in the 2017 fiscal year in the amount of \$15,672,500 are also not reflected in the above presentation.

Trend of Town Indebtedness

	Fiscal Year Ending December 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Outstanding End of Year:					
Bonds	\$300,894,619	\$403,091,619	\$461,300,820	\$508,932,170	\$520,902,650
Open Space Bond Act Bonds	82,345,000	78,345,000	74,180,000	64,050,000	60,230,000
EFC Short Term Loan	-	-	-	-	-
Budget Notes	-	-	-	-	-
Bond Anticipation Notes	<u>81,322,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Outstanding	<u>\$464,562,319</u>	<u>\$481,436,619</u>	<u>\$535,480,820</u>	<u>\$572,982,170</u>	<u>\$581,132,650</u>

Source: Financial statements of the Town 2012-2016.

Authorized But Unissued Debt

As of the date of this Official Statement, the Town has authorized but unissued debt in the aggregate amount of \$107,278,210 for the following purposes. A portion of such amount will be financed by the issuance of the Bonds.

<u>Purpose</u>	<u>Authorized Amount</u>	<u>Amount to be Issued</u>	<u>Authorized but Unissued</u>
Special District	\$32,462,500	\$14,600,000	\$17,862,500
Highway	34,854,250	17,370,990	17,483,200
General Purposes	39,961,460	28,196,410	11,765,050
Total	<u>\$107,278,210</u>	<u>\$60,167,400</u>	<u>\$47,110,810</u>

Capital Project Plans

The above authorized but unissued debt in the amount of \$107,278,210 includes approximately \$24 million for projects that the Town expects to receive grant reimbursement from various State and Federal organizations. The Town does not intend or expect to have to borrow for such projects. In addition, on an annual basis, the Town reviews its authorized but unissued list of projects and closes out or rescinds authorization as it deems necessary.

See also “*Debt Management and Capital Budget Policy*” herein.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Exclusions</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	\$341,302,710	\$64,169,942	\$277,132,768
Villages	20,892,079	0	20,892,079
School Districts	886,237,155	390,703,961	495,533,194
Fire Districts	<u>18,952,782</u>	<u>0</u>	<u>18,952,782</u>
Totals	<u>\$1,267,384,726</u>	<u>\$454,873,903</u>	<u>\$812,510,823</u>

a. Based on applicable respective valuations.

b. Comprised of Sewer District Bonds; revenue anticipation notes; tax anticipation notes; Assets on Hand for Debt; and Appropriations.

c. Estimated State Aid for School Buildings.

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

Debt Ratios

The following table sets forth certain ratios relating to the Town's indebtedness as of the date of this Statement.

	<u>Amount^a</u>	<u>Per Capita^b</u>	<u>Percentage Of Full Value (%)^c</u>
Total Direct Debt	\$647,535,150	\$1,324	1.29
Net Direct Debt	534,664,300	1,094	1.06
Total Direct & Applicable Total Overlapping Debt	1,914,919,876	3,917	3.81
Net Direct & Applicable Net Overlapping Debt	1,347,175,123	2,755	2.68

a. Excludes the Bonds.

b. The current population of the Town is 488,930 (U.S. Census - 2015).

c. The Town's full value of taxable real property for 2016-17 is \$50,308,436,044.

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit available for public inspection covers the fiscal year ended December 31, 2015. The such audit is attached as Appendix B. Such audit was completed by the firm Albrecht, Viggiano, Zureck and Company, P.C. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes. As required by law, the Town also prepares an Annual Financial Report Update Document ("AFRUD") for submission to the New York State Comptroller. Such report for fiscal year ending 2015 has been filed. A summary of the operating results for the fiscal years ending 2011-2015 is attached as Appendix A hereto.

Fund Structure and Accounts

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

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

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

Basis of Accounting

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

Investment Policy

Pursuant to the statutes of the State of New York and its adopted Investment Policy, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State of New York; or (5) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town. Any investments made by the Town pursuant to law are required to be payable or redeemable at the option of the Town within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the Town's investments, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance and the eligible securities utilized for such collateral must be held by a third party financial institution, pursuant to security and custodial agreements. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The Town maintains a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the Town conducts business must be credit worthy. Banks are required to provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town. Security dealers not affiliated with a bank are required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The chief fiscal officer is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

The chief fiscal officer is authorized to contract for the purpose of investments: (1) by participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board; and (2) by utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the Town, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Town by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law, §10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the Town, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Town a perfected interest in the securities.

Financial Operations

The Supervisor functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities, which are delegated to and carried out by the Commissioner of Finance. In addition, the Supervisor serves as the Budget Officer and, with the assistance of the Commissioner of Finance, prepares the annual tentative budget for submission to the Town Board. Budgetary compliance during the year is the responsibility of the Commissioner of Finance.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt. Pursuant to Section 30 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of bonds or notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

Town finances are operated primarily through the Town-Wide and Part-Town General and Highway Funds. All real property taxes and most of the other Town revenues are credited to these funds. Current operating expenditures are paid from these funds subject to available appropriations. The Town also has various special districts, which are accounted for within separate funds. The primary sources of income for these districts comes from special assessments levied against district properties at the same time real estate taxes are levied. Capital projects and selected machinery and equipment, and land purchases are accounted for in special capital projects funds until recognized as an asset of the Town. The Town observes a calendar year (January 1 through December 31) for operating and reporting purposes.

2012 Results of Operations

For the fiscal year ended December 31, 2012, the audited financial statements of the Town show the total revenue including transfers in the General Fund were \$121,204,878 and the total expenditures, including transfers and adjustments, were \$128,805,541, resulting in an operating deficit of \$7,600,663. The total overall fund balance in the General Fund decreased from \$49,023,568 to \$41,420,156. The use of surplus was budgeted at \$14.6 million. However, the Town was able to realize savings in vacant positions, reduced contractual spending resulting from enhanced purchasing controls. In addition, the Town's landfill revenues but experienced a reduction in mortgage tax receipts of \$1.3 million. An additional \$4.0 million of fund balance, reserved for the future repayment of General Fund Debt, resides in the Town's Debt Service Fund.

2013 Results of Operations

For the fiscal year ended December 31, 2013, the audited financial statements of the Town show the total revenue including transfers in the General Fund were \$110,557,692 and the total expenditures, including transfers and adjustments, were \$115,079,348, resulting in an operating deficit of \$4,521,656. The total overall fund balance in the General Fund decreased from \$41,420,156 to \$36,898,500.

2014 Results of Operations

For the fiscal year ended December 31, 2014, the audited financial statements prepared by the Town show the total revenue including transfers in the General Fund were \$123,450,856 and the total expenditures, including transfers were \$111,894,396 resulting in an operating surplus of \$11,556,460. The total overall fund balance in the General Fund increased from \$36,898,500 to \$48,454,960.

2015 Results of Operations

For the fiscal year ended December 31, 2015, the audited financial statements prepared by the Town show the total revenue including transfers in the General Fund were \$129,064,680 and the total expenditures, including transfers were \$124,353,195 resulting in an operating surplus of \$4,711,485. The total overall fund balance in the General Fund increased from \$48,454,960 to \$53,166,445. Such surplus was achieved despite paying down approximately \$4.7 million in previously amortized retirement system contributions.

Fund Balance Policies

The Town Board maintains fund balance policies for the Town Wide General Fund (20%), the Part Town Fund (15%), Highway Fund (10%), and the Part Town Highway Fund (10%). Such percentages represent the total overall fund balance as a percentage of budgeted expenditures. In the event of an emergency or if a need were to occur that necessitated the appropriation of funds that would result in reducing the total fund balance in any of the Funds below the threshold, a resolution of the Town Board is required to approve such appropriation. In addition, subsequent to such appropriation, the Town would begin the process of reducing expenditures or raising revenues during the current or ensuing fiscal years in order to restore the total fund balance in the Funds to at least minimum percentage of operating expenditures.

The Town currently is in compliance with its policies in all Funds, and expects to be in compliance at year end 2016. Despite the extraordinary number of snow storms in 2014 through 2016 (in excess of 25), no Budget Notes were required to be issued as adequate Fund Balance existed in the Highway Fund, without falling below the policy.

Budgetary Procedure

Each year the Supervisor is responsible for preparing a tentative budget. The Supervisor holds several meetings with the Commissioner of Finance, the Town Board Members, and Department Heads in preparing the tentative budget. The Supervisor then presents his tentative budget to the Town Clerk by September 30th each year. The Town Clerk presents the Supervisor's tentative budget to the Town Board by October 5th. The Town Board may accept the Supervisor's tentative budget and adopt it as the Town's preliminary budget or make revisions to the Supervisor's tentative budget before adopting a preliminary budget for the Town. The Town Board will convene a public hearing on or before the Thursday immediately following the general election where it will take comments on the Town's preliminary budget. Revisions may be made to the Town's preliminary budget as a result of the public hearing. A final version of the preliminary budget is then prepared by the Town Board and adopted as the final budget by November 20th each year. The budget is not subject to referendum.

Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law") imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. All budgets of the Town adopted in accordance with the procedure discussed herein must comply with the requirements of the new law.

Summary of 2017 Town Budget

The 2017 adopted budget of the Town is again in compliance with its Tax Levy Increase Limit, the Town's Tax Rate and Spending Caps, and the Town's Debt Management and Fund Balance Policies. The budget uses no surplus to balance the budget in both General Funds and the Part Town Highway Fund, and reduces the use of surplus in the Town-wide Highway and Street Lighting Funds by 51.6%. The Town also lowered Town-wide spending by \$1.6 million and increased the snow removal budget for the third year in a row to \$5.9 million. The Town expects a modest increase in Planning and Building fees, Recycling Revenues, Fines, Franchise Fees and Parks and Recreation fees. Mortgage Tax Receipts are expected to increase to \$12 million, in accordance with the improved 2016 receipts of \$11.5 million. The Town was able to reduce full-time staffing by a net 13 positions through retirement and natural attrition, and defunded 10 management positions with no reduction in quality of life enforcement resources.

Fund	<u>Appropriations</u>	<u>Non-Property Tax Revenues</u>	Less: Application of <u>Surplus</u>	2017 Property <u>Taxes</u>
General - Town Wide	\$120,416,940	\$ 96,973,541	\$ 0	\$ 23,443,399
Highway - Town Wide	7,522,912	339,085	550,000	6,633,827
Open Space - Full Town	8,827,984	120,000	301,307	8,406,677
Total Full Town Funds	136,767,836	97,432,626	851,307	38,483,903
General - Part Town	21,071,555	13,022,057	0	8,049,498
Highway - Part Town	58,849,320	1,934,673	0	56,914,647
Street Lighting	5,008,236	84,976	200,000	4,723,260
Refuse & Garbage	42,913,751	1,082,700	1,936,116	39,894,935
Total Outside Village Tax Districts	127,842,862	16,124,406	2,136,116	109,582,340
Total Major Tax District	264,610,698	113,557,032	2,987,423	148,066,243
Other Special District	17,198,058	950,273	138,377	16,109,408
Total Tax Districts	<u>\$281,808,756</u>	<u>\$114,507,305</u>	<u>\$3,125,800</u>	<u>\$164,175,651</u>

Source: Adopted Budget of the Town.

Summary of 2016 Town Budget

The 2016 adopted budget of the Town is in compliance with its Tax Levy Increase Limit, the Town's Tax Rate and Spending Caps, and the Town's Debt Management and Fund Balance Policies. The budget achieves no net increase in the Property Tax Levy for the Full Town Tax Districts. The Town reduced its reliance on appropriated fund balance (exclusive of debt reserve) in its major funds using approximately \$1.4 million as opposed to \$8.0 million in the 2015 budget. This represents an 83% reduction. The budget for snow removal has been increased to \$5.18 million from \$2.6 million in 2013. The Town has also increased spending on quality of life issues including the protection of the Town's environmental resources, funding for public safety, law enforcement, assessment, and audit and control.

<u>Tax District</u>	<u>Appropriation</u>	<u>Non-Property Tax Revenue</u>	<u>Less: Application of Surplus</u>	<u>Application of Debt Reserve</u>	<u>Property Taxes</u>
General Fund – Full Town	\$118,149,276	\$ 93,622,406	\$ 0	\$ 1,300,000	\$ 23,226,870
Highway Fund – Full Town	8,005,932	344,085	1,050,000	100,000	6,511,847
Open Space – Full Town	8,664,899	80,000	0	278,222	8,306,677
Total Full Town Tax Districts	134,820,107	94,046,491	1,550,000	1,678,222	38,045,394
General Fund – Part Town	20,332,319	12,323,057	0	50,000	7,959,262
Highway Fund – Part Town	59,951,570	1,520,673	350,000	1,500,000	56,580,897
Streetlighting	5,316,498	79,976	500,000	75,000	4,661,522
Refuse & Recycle	42,773,371	1,017,700	1,936,116	0	39,819,555
Total Outside Village Tax Districts	128,373,758	14,941,406	2,786,116	1,625,000	109,021,236
Total Major Tax Districts	263,193,865	108,987,897	3,836,116	3,303,222	147,066,630
Other Special Districts	16,850,403	747,380	379,379	254,287	15,469,357
Total Tax Districts	<u>\$280,044,268</u>	<u>\$109,735,277</u>	<u>\$ 4,215,495</u>	<u>\$ 3,557,509</u>	<u>\$ 162,535,987</u>

Source: Adopted Budget of the Town.

Capital Plans and Budgeting

The Town is responsible for providing constituent services on a Town-wide basis. The villages, which comprise approximately 5% of the total area of the Town, are primarily responsible for certain capital needs within their respective corporate boundaries.

The Town maintains a road system outside of the villages consisting of approximately 3,337 lane miles. The road system requires regular road resurfacing, full depth reclamation, drainage, traffic safety enhancements, street lighting and traffic signals, sweeping, along with the condemnation of land for drainage purposes and acquisition of machinery and equipment therefor. The Town continues to acquire land for the purpose of preserving open space (See “*Development*” herein). The Town is also responsible for the financing and construction of road and storm water surface drainage improvements outside of the villages.

In addition, the Town regularly builds new cells and caps existing cells at the Landfill, and purchases machinery and equipment therefor, improves Town buildings and other facilities, and acquires and improves parks, marinas, and recreational facilities.

In general, the need for capital funding for the above described projects is anticipated to continue and to be in amounts substantially the same as in the past for the next few years. Bond authorizations for such projects are not anticipated to be substantially different than have generally prevailed in the past. (See also “*Debt Management and Capital Budget Policy*” herein).

The Town does not provide capital financing for water facilities since the Suffolk County Water Authority and the County maintains primary responsibility for these structures. The Town is responsible for two Sewer Districts that are fully built, and there are no plans for new districts at this time. Developers have generally been required to construct sewer treatment plants or connections as a condition to subdivision approval. (See “*Authorized But Unissued Debt and Anticipated Future Borrowings*” herein).

Capital Budget Summary 2017-2021

	Fiscal Year Ending December 31:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Services	\$ 625,000	\$ 955,000	\$ 808,800	\$ 680,000	\$ 695,000
Parks, Sports & Recreation	4,375,000	6,425,000	5,900,000	3,570,725	3,150,000
Planning Building & Environmental	10,650,000	599,350	75,000	75,000	75,000
Public Safety	377,800	532,800	375,000	75,000	75,000
Town Attorney	750,000	750,000	750,000	750,000	750,000
Town Hall Improvements	430,000	888,870	1,050,000	1,075,000	2,575,000
Waste Management	5,447,500	10,575,000	26,430,000	5,350,000	8,250,000
Highway Part-Town	19,811,990	23,100,000	19,673,000	19,525,000	19,525,000
Highway Town-Wide	1,000,000	1,400,000	1,000,000	1,000,000	1,000,000
Street Lighting	850,000	1,325,000	1,475,000	1,075,000	1,075,000
Open Space Acquisitions	<u>2,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>\$46,317,290</u>	<u>\$47,551,020</u>	<u>\$58,536,800</u>	<u>\$34,175,725</u>	<u>\$38,170,000</u>

Revenues

The Town receives most of its revenues from real property taxes, departmental charges for services and tipping fees from the Town Landfill. A summary of such revenues and other financing sources for the five most recently completed fiscal years may be found in the Statements of Revenues, Expenditures and Changes in Fund Balance in Appendix A hereto.

Real Property Taxes

See "Real Property Tax Information", herein.

Brookhaven Solid Waste Management

Brookhaven Landfill. The Landfill operates under a New York State Department of Environmental Conservation (NYSDEC) Permit. It is expected that the Landfill will reach maximum capacity in approximately 8 to 9.5 years.

The Landfill accepts processed construction and demolition (C&D) debris, alternate daily cover material (ADCM) and ash from resource recovery facilities. Ash is received from three area resource recovery facilities. The Town of Brookhaven has Inter-Municipal Agreements (IMA) with the Town of Islip for approximately 60,000 tons per year, and the Towns of Huntington & Smithtown for approximately 83,000 tons per year. The two agreements both expire on December 31, 2019.

On January 1, 2015, the Town amended and renegotiated its "ash for trash" agreement with Covanta Hempstead. The Covanta agreement term is for a minimum of ten years and it is expected that approximately 220,000 tons per year of ash will be delivered to the Landfill. In addition, the Town's residential municipal solid waste (MSW), of approximately 172,000 tons per year, will be transferred to Covanta Hempstead for processing.

Fifteen C&D vendors have been approved to utilize the Landfill. Collectively, in 2015, these vendors delivered approximately 420,790 tons of C&D and 298,328 tons of ADCM. Presently, the Town is actively filling Phases VII and VIII of Cell 6 which has a total of thirteen phases. On average, the Town receives approximately 1.0 million cubic yards of material per year. As of January 6, 2017, the landfill has an estimated 9,710,570 million cubic yards of capacity remaining. Construction of Phase IX and X of Cell 6 is complete and the certification report is presently under review by New York State Department of Environmental Conservation (NYSDEC). The two Phases are expected to be operational on or before May 1, 2017.

The Town has had the long standing practice of capping cells (or phases) as they reach capacity. Of the 313 acres of the landfill permitted, 284 acres (including the two newly construction Phases: IX and X) have been constructed. 173 acres, or 61% of the constructed landfill, including all 95 acres of Cells 1 – 4 have been capped in accordance with NYSDEC regulations. Given the Town’s past practice of capping as phase reaches capacity, it is likely that less than 45 acres will need to be capped at the end of the useful life of the landfill.

Material Recycling Facility (MRF). In December 2013, the Town and Hudson Baylor Brookhaven LLC entered into a fourth amendment of the Operations and Maintenance agreement. The agreement required Hudson Baylor, at no cost to the Town, to invest approximately \$6.0 million to convert the dual stream recycling processing system at the MRF to single stream processing. The amendment also extended the term of the agreement with Hudson Baylor by 25 years, until the year 2039.

As a result of the above agreement, in 2014, the Town realized a 24% lift in its recycling rate, translating into \$425,000 savings. A similar lift (relative to 2013) and savings were realized in 2015 and 2016. In addition, in 2014 and 2015, the Town entered into twelve Single Stream Recycling IMAs with Towns, School Districts, and Villages, that are collectively expected to generate an estimated \$250,000 in annual recurring revenue, in addition to the Town’s \$500,000 of recycling revenue.

State Aid

The Town receives a small portion of its General Fund Budget from the State predominantly through mortgage recording taxes. The State imposes a tax on the privilege of recording a mortgage on real property located with the State. The mortgage recording tax includes a basic tax of \$0.50 per \$100 of mortgage principal, with additional taxes of \$0.25 to \$1.25 per \$100 of mortgage principal based on certain conditions.

Based on the financial statements of the Town for fiscal year ending 2015, the Town received approximately 8.89% of its total General Fund operating revenue from State aid in 2015. The Town has budgeted approximately 8.57% for the 2016 budget. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever.

Although the Town cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be other monies made available to pay State aid in future years, the Town may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Town’s General Fund revenue (including transfers) comprised of Mortgage Tax for each of the fiscal years 2011 through 2015 and as budgeted, for 2016 and 2017.

<u>Fiscal Year Ended December 31:</u>	<u>General Fund Total Revenue</u>	<u>Mortgage Tax</u>	<u>State Aid To_ Revenues (%)</u>
2011	\$119,534,385	\$ 9,644,479	8.07
2012	121,204,878	12,753,833	10.52
2013	110,557,692	11,809,324	10.68
2014	123,450,856	9,674,586	7.84
2015	129,064,680	11,477,553	8.89
2016 (Budgeted)	118,149,276	10,125,000	8.57
2017 (Budgeted)	120,416,940	12,000,000	9.97

Expenditures

Based on the Annual Financial Reports of the Town, the major categories of expenditure in the General Fund are General Government Support, Public Safety, Culture and Recreation, Home and Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A - Financial Statements.

Operating Budget Limitations

On November 2, 2010, a majority of the voters of the Town approved a local law to limit the operating budget expenditures. The total dollar amount of expenditures in the annual adopted budget for the Town-wide General Fund shall not increase above the total dollar amount of expenditures in the most recent adopted operating budget for the Town-wide General Fund by more than the three-year average of revenue growth rate plus the three-year average population growth rate for the three previous completed fiscal years. When the calculated growth rate is less than zero percent, adopted expenditures shall not exceed expenditures in the most recent adopted budget.

Notwithstanding the provisions of the local law, the Town Board may provide for an increase in spending in the Town-Wide General Fund in excess of the amount defined by a vote of three-fourths of the Town Board.

Pension Systems

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

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% (percentage dependent on tier) of payroll for the ERS and PFRS, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments. While the Town is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, if the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the revised system, a contribution for a given fiscal year is based on the valuation of the pension fund on April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in the budget for the ensuing year.

On July 30, 2004, then Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school district contribute to the state pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the state has reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changed the date on which local pension contributions are due to the State. The annual required contribution became due February 1 annually instead of December 15.
- **Pension Contributions Reserve Fund:** The law created special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier 5 pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier 5 include:

- Raising the minimum age at which most civilian can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contribution 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from five years to ten years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Additionally, on March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and PFRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the Town's employees is not subject to the direction of the Town. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Town, which could affect other budgetary matters. Concerned investors should contract the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Required Contributions to the Retirement Systems

The following table sets forth the Town's payments to the Retirement System for the last five years:

<u>Fiscal Year Ending December 31:</u>	<u>Employees' Retirement System</u>
2012	\$ 9,069,497
2013	13,355,316
2014	12,851,698
2015	11,454,629
2016	10,123,284
2017 (Budgeted)	10,877,974

The Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") revises and establishes new financial reporting requirements for the Town beginning with its fiscal year ended December 31, 2015.

GASB 68 requires the Town to recognize its long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. As of December 31, 2015, the Town's net pension liability was \$8,782,921.

As a result of significant capital market declines at times in the past, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. Various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. As a result of the foregoing, the employer contribution rate for the State's Retirement System in such years were higher than the minimum contribution rate established under applicable law. However, over the past few years, the Pension Fund has seen positive returns, which has resulted in a decrease in the required contribution in 2015. The estimated contribution, rates for 2016 is also expected to decline.

In 2014, the Town chose not to amortize any New York Retirement System Contributions. The total amount due to the New York State Retirement System pursuant to Chapters 57 and 105 of the Laws 2010 totaled \$8,224,775 at December 31, 2014.

On January 21, 2014, the Town Board adopted a resolution to establish a Pension Contribution Reserve Fund for revenue received by the Town from the sale of selected surplus Town property and other revenue sources to offset the Town's annual contribution to the Retirement System

In 2015, the Town paid off its New York State Retirement System debt in the amount of \$8.4 million, of which \$4.7 million was the General Fund's liability, and was paid from Fund Balance Reserves, reducing the overall balance by the amount. The payoff of the New York State Retirement Debt yielded over \$1.0 million in annual savings Town Wide, of which the General Fund benefited by approximately \$560,000.

Other Post Employment Benefits

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Town, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") described below requires such accounting.

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. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires 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 Statement No. 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") is 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 liability actually be amortized nor that it be funded only that the municipality or school district account for its unfunded accrued liability and comply in meeting its ARC.

The following table shows the Town's other postemployment benefits liability for all governmental activities:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ended December 31, 2015</u>
Annual required contribution (ARC)	\$31,046,069
Interest on net OPEB obligation	5,423,670
Less: Adjustments to ARC	<u>(6,992,082)</u>
Annual OPEB cost (expense)	29,477,657
Less: Contributions made	<u>9,503,995</u>
Increase in net OPEB obligation	19,973,662
Net OPEB obligation-beginning of year	<u>135,591,735</u>
Net OPEB obligation-end of year	<u><u>\$155,565,397</u></u>

The aforementioned liability and ARC are recognized and disclosed in accordance with GASB 45 standards in the Town's financial statements. The Town's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both. Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Town to partially fund its actuarial accrued OPEB liability.

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.

At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Town had decided to continue funding the expenditure on a pay-as-you-go basis.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The following table sets forth the percentage of the Town's General Fund revenue (including other sources) for each of the fiscal years 2010 through 2015 and as budgeted for 2016 and 2017.

Fiscal Year Ended <u>December 31:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2011	\$119,534,385	\$20,757,600	17.37
2012	121,204,878	20,542,939	16.95
2013	110,557,692	16,974,147	15.35
2014	123,450,856	16,954,961	13.73
2015	129,064,680	21,226,870	16.45
2016 (Budgeted)	118,149,276	23,226,870	19.66
2017 (Budgeted)	120,416,940	23,443,399	19.47

The Town derives a portion of its revenues from a tax on real property (see "*Statement of Revenues, Expenditures and Changes in Fund Balance*" in Appendix B, herein.) Property taxes accounted for approximately 16.45% of total General Fund revenues, for the fiscal year ended 2015. On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. The Tax Levy Limit Law could require the Town to find alternative revenue sources, reduce expenditure or both. (See "*Tax Increase Procedural Limitation Legislation*" herein).

Tax Collection Procedure

The Town, the County, the school districts and the fire districts located in the Town each prepare their own budgets and notify the Town as to the amount of taxes to levy for each respective unit. The Town also prepares the budgets and levies and collects the taxes for special districts in the Town other than fire districts. The Town Receiver of Taxes (the "Town Receiver") collects all real estate taxes for the Town (including its special districts), the County, school districts and fire districts on a single tax bill. Real property tax payments are payable in two equal installments. The first portion is due December 1 of the year preceding the year for which the same is levied but it is payable without penalty until January 10. The second portion is payable May 10, and is payable without penalty until May 31. After May 31, all taxes must be paid to the County Treasurer with a 5% penalty charge and interest at the rate of 1% per month from February 1.

Town Receiver distributes the collected tax money first to the Town (including its special districts), school districts and fire districts. Any balance remaining after the Town (including its special districts), school districts and fire districts have received their tax revenues in full is distributed to the County. On June 1 of each year the Town Receiver turns over uncollected items to the County Treasurer who continues the collection of such items. Responsibility for the collection of unpaid taxes rests with the County. As a result, as long as uncollected taxes as of June 1 are less than the County's share of the total taxes, the Town is assured of 100% collection of its tax revenues.

Property Tax Revenue Limitation

On November 2, 2010, a majority of the voters of the Town approved a local law limiting property tax rates in the subsequent years. Pursuant to the local law, the Town Board shall not increase property taxes from the previous year in any amount that would increase the total property tax rate by more than four (4%) percent over the previous year for Town budget purposes including Town-Wide General Fund and Part-Town General Fund, except for special and improvement district expenditures including but not limited to water, streetlight, sewer, park, fire protection, ambulance, special road improvements and other similar special and improvement district purposes.

The Town Board may provide for an increase in the property tax rate in excess of four (4%) percent limitation by an affirmative vote of a supermajority of the Town Board. As discussed in the section entitled "*Tax Increase Procedural Limitation Legislation*," Chapter 97 of the Laws of 2011 was enacted on June 24, 2011, which imposes a limitation on the tax levy growth of municipalities, including the Town, school districts and fire districts in the State. In addition to its local law, the Town is subject to Chapter 97 and the limitations imposed by the Tax Levy Limit Law. (See "*Tax Increase Procedural Limitation Legislation*" herein).

Tax Increase Procedural Limitation Legislation

Although the State Legislature is limited by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted", the State Legislature may from time to time impose additional limitations on the ability to issue new indebtedness or to raise taxes therefor.

Chapter 97 of the Laws of 2011, as amended (the "Tax Levy Limit Law" or the "Law") generally applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities to levy certain year-to-year increases in real property taxes.

The Town is subject to the Tax Levy Limit Law, beginning with the Town's budget for its fiscal year beginning January 1, 2012. Pursuant to the Tax Levy Limit Law, additional procedural requirements are imposed if a municipality seeks to increase the tax levy by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index, over the amount of the Town's prior year's tax levy (the "Tax Levy Increase Limit"). In the event the Town seeks to adopt a budget requiring a tax levy exceeding the Tax Levy Increase Limit, a favorable vote of at least five members of the seven-member Town Board would be required. The Town Board would also be required to act by Local Law rather than simply by resolution, and a public hearing would be required.

The Law permits certain exceptions to the Tax Levy Increase Limit. The Town may levy taxes exceeding the Tax Levy Increase Limit, if necessary, to support the following expenditures: (i) funds needed to pay judgments arising out of tort actions that exceed five percent of the total tax levied by the Town in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points). Taxes necessary for these expenditures will not be included in the calculation of the Tax Levy Increase Limit.

The Law also provides for adjustments to be made to the Town's Tax Levy Increase Limit based upon changes in the assessed value of the taxable real property in the Town. Additionally, the Town will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year.

Bonds of the Town issued prior to the June 24, 2011 effective date of the Tax Levy Limit Law are payable from real property taxes that can be levied as necessary without regard to long-term Constitutional or statutory limit. Inasmuch as the Law has no exclusion for principal and interest on notes and bonds, however, levies required to pay principal and interest on notes and bonds will be included in the calculation of the Tax Levy Increase Limit. In the absence of administrative or judicial guidance, and with a lack of any experience operating under the Law, the effect of the Law on the Town's finances and its ability to continue to levy taxes sufficient to both pay debt service on pre June 24, 2011 and post June 24, 2011 notes and bonds and meet its other governmental responsibilities is uncertain. However, as noted above, the Town does retain the power to exceed the Tax Levy Increase Limit by a favorable vote of at least five members of the seven member Town Board.

Selected Listing of Large Taxable Properties
2016 Assessment Roll¹

<u>Name</u>	<u>Assessed Valuation</u>
Marketspan	\$18,289,825
LIPA	11,033,576
Keyspan	7,129,688
Verizon	1,373,891
Mall at Smith Haven LLC	1,261,394
Point of Woods Association	684,097
Bellport Property Investors LLC	628,020
Zebra Technologies Enterprise Corp.	621,920
North Isle Village, Inc.	484,500
Villas at Pine Hills DE LLC	473,610
One West Main Street Apartments Investors LLC	453,700
Alavon Bay Communities Inc.	413,335
Pine Hills South Co. C/O Heatherwood Comm.	394,475
Lake Grove Owners LLC	358,200
Centereach Mall Assoc LP C/O Kimco Realty Corp.	346,720
	43,946,951

1. Assessment roll established in 2016 for levy and collection of taxes during 2017 Fiscal Year.
2. Represents approximately 9.60% of the total taxable assessed valuation of the Town for 2017.

LITIGATION AND OTHER PROCEEDINGS

Parviz Noghrey vs. the Town

In May, 1991, Parviz Noghrey commenced an action in the Suffolk Supreme Court challenging the Town's rezoning of two vacant parcels in the Central Pine Barrens from J-2 Business to B-I Residential. Those rezonings were part of a Town-wide commercial rezoning program. When Mr. Noghrey filed for bankruptcy protection, his action against the Town was removed to the United States Bankruptcy Court for the Eastern District of New York. The amended complaint alleged federal and state claims relating to the rezoning of Mr. Noghrey's parcels. In August 1998, the Town was granted summary judgment for alleged violations of Mr. Noghrey's right to due process and in March 2001 the District Court dismissed Mr. Noghrey's appeal of this summary judgment. Upon dismissal of his appeal, Mr. Noghrey was granted the motion to dismiss his bankruptcy proceeding and reinstate his claims against the Town in State Supreme Court. On April 28, 2006, the Supreme Court of the State of New York, County of Suffolk, rendered its decision in favor of Mr. Noghrey, awarding him damages and legal fees of approximately \$11 million. In February, 2008, the Appellate Division reversed the decision of the Supreme Court stating that the jury was improperly charged. The cause was remanded to the Trial Court, a new trial was held, and on May 7, 2010 an Order and Judgment after Trial was entered against the Town of Brookhaven in the amount of \$6,425,752. On February 21, 2012 the Appellate Division Second Department affirmed in part the order and judgment on May 7, 2010, severing one cause of action for a new trial but affirming the judgment in the other cause of action in the principal amount of \$842,000 but which with interest resulted in a judgment of \$5,692,134.97.

In 2016 a trial was held on one cause of action in Supreme Court. The Town of Brookhaven won a jury verdict with no damages awarded. Plaintiff has filed a notice of appeal, but has not yet perfected the appeal.

Rosa v. the Town

This case involves an intersection allegedly obstructed by vegetation. The liability on this case could be \$1,000,000, as plaintiff's injuries are severe. This matter has settled in 2016, with the Town paying plaintiff \$1,000,000.

Yasso v. the Town

This case involves a two car accident at a Town intersection due to an obstructed sight distance from overgrown foliage. The liability on this case could be \$1,300,000 as plaintiff's injuries are severe.

Other Litigation

The Town is subject to a number of other lawsuits in the ordinary conduct of its affairs. The Town does not believe however, that such other suits, individually or in the aggregate, are likely to have a materially adverse effect on the financial condition of the Town. The Town has determined that in recent years all litigation against the Town has been settled within budgetary appropriations for such purposes, and within available insurance coverages. The Town is a self-insured entity with a retention of the first one million dollars for any one loss and maintains an excess policy of ten million dollars and a further excess policy of twenty-five million dollars over and above the first ten million dollars of excess coverage.

RISK FACTORS

AND

**MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND
MUNICIPALITIES OF THE STATE**

The financial condition of the Town as well as the market price of and the market for the Bonds could be affected by a variety of factors, many of which are beyond the Town's control, including, for example: (i) certain adverse events in the domestic and world economy; (ii) a significant default or other financial crisis occurring in the affairs of the State or its agencies or political subdivisions; and (iii) a seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code. These events may affect the acceptability of obligations issued by borrowers within the State or the ability of the Town to arrange for additional borrowings. In addition, the market for and the market value of the Bonds could be adversely affected if the Town encountered real or perceived difficulty in marketing notes or bonds to pay principal on outstanding notes at maturity.

The Town is dependent in part on financial assistance from the State. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State in order to make State aid payments to the Town. (See also "State Aid".)

The State's Annual Information Statement and other information about the State's finances are provided by the State Division of the Budget on its website.

ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the “Rule”) promulgated by the Commission, the Town has agreed to provide, at the time of delivery of the Bonds, an executed Annual and Continuing Disclosure Undertaking in substantially the form attached as Appendix C.

To the best of the Town’s knowledge, in the past five years the Town has not failed in any material respect under the Rule to provide annual reports or notices of material events.

The following table sets forth the annual filings for each of the five preceding fiscal years.

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2011	06/30/2012	08/28/2012
2012	06/28/2013	09/17/2013
2013	06/30/2014	07/18/2014
2014	06/29/2015	06/26/2015
2015	06/27/2016	07/11/2016

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust (“FASIT”). A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Town made in a certificate (the “Tax Certificate”) dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Town with the provisions of the Tax Certificate subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Town described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Town as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Town may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

In the opinion of Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as described above, Bond Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

The purchase price of certain Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel. Such legal opinion will be delivered in substantially the form attached hereto as "Appendix D".

BOND RATING

The Town has applied to S&P Global Ratings ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds and such application is pending at this time. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. 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 rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

MUNICIPAL ADVISOR

Munistat Services, Inc. has assisted the Town as municipal advisor in certain matters with respect to the sale and issuance of the Bonds.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Commissioner of Finance of the Town, Tamara Wright, Town of Brookhaven, Department of Finance - 3rd Floor, One Independence Hill, Farmingville, New York 11738, telephone number 631/451-6680, email: twright@brookhaven.org or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

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

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

Except for its review of the descriptions of the terms of the Bonds and its approving legal opinion to be rendered on the Bonds as Bond Counsel to the Town, Norton Rose Fulbright US LLP, has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

The preparation and distribution of this Official Statement has been authorized by a resolution of the Town which delegates to the Supervisor the power to sell and issue the Bonds.

This Official Statement has been duly executed and delivered by the Supervisor of the Town of Brookhaven, New York.

By: s/s

EDWARD P. ROMAINÉ
Town Supervisor
Town of Brookhaven
Brookhaven, New York

March , 2017

APPENDIX A

FINANCIAL INFORMATION

BALANCE SHEETS - AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDING DECEMBER 31, 2015

	Select Governmental Funds					
	General Fund	Town Outside Village	Combined Highway Funds	Town Refuse & Garbage District	Debt Service	Non-Major Governmental Funds
<u>Assets</u>						
Cash & Cash Equivalents	\$ 48,587,497	\$ 6,471,207	\$ 18,376,062	\$ 13,161,227	\$ 2,778,189	\$ 15,683,028
Restricted Cash	50,188					1,519,700
Accounts Receivable	9,197,840	189,554	75,360	475		85,281
Due From Other Funds	142,757					50,724
Due from Trust and Agency Funds	1,822					
Insurance Escrow Deposits	667,668					
State and Federal Aid Receivables	619,037		617,353			522,740
Due From Other Governments	9,165,929	13,395	5,503	850		
Prepaid Charges	1,559,594	404,272	727,019	101,276		71,498
Loans Receivable						418,401
Inventory of Material and Supplies	155,349		994,451			
Total Assets	<u>\$ 70,147,681</u>	<u>\$ 7,078,428</u>	<u>\$ 20,795,748</u>	<u>\$ 13,263,828</u>	<u>\$ 2,778,189</u>	<u>\$ 18,351,372</u>
<u>Liabilities</u>						
Accounts Payable	\$ 2,233,395	\$ 209,418	\$ 1,237,909	\$ 3,447,545		\$ 1,414,028
Accrued Liabilities	4,312,684	726,497	1,382,875	176,363		617,105
Due to Other Funds	63,376					171,747
Due to Trust and Agency Funds	53,067					
Due to Other Governments	125,903	4,245				65,766
Unearned Revenue	179,048	1,606	2,029			418,401
Claims and Judgments	5,239,824	121,066	941,297			
Total Liabilities	<u>12,207,297</u>	<u>1,062,832</u>	<u>3,564,110</u>	<u>3,623,908</u>	<u>0</u>	<u>2,687,047</u>
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue	<u>4,773,939</u>					
<u>Fund Balance</u>						
Nonspendable	1,714,943	404,272	1,721,470	101,276		1,525,432
Restricted	11,288,666	202,119	4,618,357		2,778,189	3,471,530
Assigned	124,122	5,409,205	10,891,811	9,538,644		10,667,363
Unassigned	40,038,714					
Total Fund Balance	<u>53,166,445</u>	<u>6,015,596</u>	<u>17,231,638</u>	<u>9,639,920</u>	<u>2,778,189</u>	<u>15,664,325</u>
Total Liabilities and Fund Balances	<u>\$ 70,147,681</u>	<u>\$ 7,078,428</u>	<u>\$ 20,795,748</u>	<u>\$ 13,263,828</u>	<u>\$ 2,778,189</u>	<u>\$ 18,351,372</u>

Fund Balance designations reflect the classification for GASB Statement #54

Non-Major Governmental Funds include Ambulance, Docks, Erosion Control, Fire Protection, Street Lighting, Park, Sewer, Sidewalk and Water Districts

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND - TOWN WIDE

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 20,757,600	\$ 20,542,939	\$ 16,974,147	\$ 16,954,961	\$ 21,226,870
Other Property Tax Items	1,087,504	994,357	958,880	1,071,214	1,207,181
Non-Property Tax items	7,443,825	7,290,019	7,787,095	8,256,950	8,261,420
Departmental Income	65,082,316	53,554,350	50,461,832	54,184,523	56,472,961
Intergovernmental Charges		10,372,956	6,932,126	7,086,117	7,910,078
Use of Money and Property	2,207,289	2,405,503	2,339,986	4,570,268	4,485,525
Licenses and Permits	441,374	355,562	266,180	253,812	256,317
Fines and Forfeitures	2,178,693	555,939	160,037	199,248	190,736
Sale of Property	1,590,452	2,153,943	2,135,398	3,109,728	3,987,284
Miscellaneous Local Sources	435,219	907,574	1,189,608	1,079,312	1,103,766
Interfund Revenues	3,986,362	5,097,729	3,950,031	3,829,207	3,276,130
State and Other Local Government Aid	9,644,479	12,753,833	11,809,324	9,674,586	11,477,553
Federal Aid	286,150	3,431,661	3,496,390	2,538,650	691,837
Total Revenues	<u>115,141,263</u>	<u>120,416,365</u>	<u>108,461,034</u>	<u>112,808,576</u>	<u>120,547,658</u>
Expenditures:					
General Government Support	29,576,806	34,615,139	34,042,031	38,118,765	44,687,710
Public Safety	6,328,430	5,085,622	2,833,311	3,830,181	3,604,688
Transportation	241,789	255,653	290,142	441,941	1,885,282
Economic Assistance & Opportunity	1,234,923	1,786,683	1,402,069	1,753,271	1,729,379
Culture and Recreation	16,303,433	16,208,875	14,582,497	20,199,231	20,712,722
Home & Community Services	18,721,108	15,861,300	10,247,834	13,861,687	14,076,118
Employee Benefits	24,186,337	24,041,286	24,552,572	8,754,146	11,812,966
Debt Service	344,427	487,417	180,614	88,439	96,143
Total Expenditures	<u>96,937,253</u>	<u>98,341,975</u>	<u>88,131,070</u>	<u>87,047,661</u>	<u>98,605,008</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,204,010	22,074,390	20,329,964	25,760,915	21,942,650
Other Financing Sources (Uses):					
Debt Service Transfers (Out):	(30,418,041)	(30,463,566)	(26,948,278)	(24,846,735)	(25,748,187)
Landfill Capital Transfer (Out)					
Debt Proceeds				5,697,700	5,000,000
Premium on Obligations		68,513	374,093	1,056,459	2,418,109
Other Transfers In (Out)	4,393,122	720,000	1,722,565	3,888,121	1,098,913
Total Other Financing Sources (Uses)	<u>(26,024,919)</u>	<u>(29,675,053)</u>	<u>(24,851,620)</u>	<u>(14,204,455)</u>	<u>(17,231,165)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,820,909)	(7,600,663)	(4,521,656)	11,556,460	4,711,485
Fund Balance, Beginning of Year	56,844,477	49,023,568	41,420,156	36,898,500	48,454,960
Adjustment to Fund Balance Due to Accounting Changes		(2,749)			
Fund Balance, Beginning of Year, as Restated	<u>56,844,477</u>	<u>49,020,819</u>	<u>41,420,156</u>	<u>36,898,500</u>	<u>48,454,960</u>
Fund Balance, End of Year	\$ <u>49,023,568</u>	\$ <u>41,420,156</u>	\$ <u>36,898,500</u>	\$ <u>48,454,960</u>	\$ <u>53,166,445</u>

*In 2011, the Town eliminated the intergovernmental revenue and expense from the Special Revenue Refuse and Garbage Fund to the General Fund for reimbursements of payments made to another municipality for the disposal of waste. Such payments are now paid directly from the Refuse and Garbage Fund.

**The Town's accounting policy for the recognition of active employee benefits was revised in 2014 in order to allocate the costs directly to the specific department instead of to a centralized employee benefits fund, which allows now for the classification of these expenditures by function. The accounting of employee benefits for retired employees, and Worker's Compensation expense, is the same as previous years.

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND - TOWN OUTSIDE VILLAGES

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 5,652,416	\$ 5,467,872	\$ 6,495,122	\$ 6,697,544	\$ 7,959,262
Other Property Tax Items	11,426	13,114	13,294	15,801	10,775
Departmental Income	5,974,936	6,500,916	8,241,994	8,467,233	9,855,909
Use of Money and Property	18,126	8,123	12,570	12,878	21,407
Licenses and Permits			71,519	102,267	65,541
Fines and Forfeitures			828,649	709,086	599,725
Miscellaneous Local Sources	78,302	2,194	54,440	266,617	379,740
State and Other Local Government Aid	1,808,932	1,808,932	1,808,932	1,808,932	1,808,932
Federal Aid	660	679	747	120,817	1,864
Total Revenues	<u>13,544,798</u>	<u>13,801,830</u>	<u>17,527,267</u>	<u>18,201,175</u>	<u>20,703,155</u>
Expenditures:					
General Government Support	1,329,811	1,289,103	2,050,299	2,417,410	2,397,950
Public Safety	4,884,423	5,433,235	6,406,049	8,749,007	10,806,435
Health	242,108	236,450	331,373	460,473	460,692
Home & Community Services	3,040,776	2,850,820	2,823,849	4,122,159	4,065,154
Employee Benefits	4,055,890	4,078,267	4,586,411	933,047	2,094,298
Debt Service	3,376	1,552	2,698		
Total Expenditures	<u>13,556,384</u>	<u>13,889,427</u>	<u>16,200,679</u>	<u>16,682,096</u>	<u>19,824,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,586)	(87,597)	1,326,588	1,519,079	878,626
Other Financing Sources (Uses):					
Transfers In:				52,910	40,835
Premium on Obligations				24,435	94,981
Transfers Out	<u>25,622</u>	<u>(180,788)</u>	<u>(204,027)</u>	<u>(240,121)</u>	<u>(395,485)</u>
Total Other Financing Sources (Uses)	<u>25,622</u>	<u>(180,788)</u>	<u>(204,027)</u>	<u>(162,776)</u>	<u>(259,669)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,036	(268,385)	1,122,561	1,356,303	618,957
Fund Balance, Beginning of Year	3,172,124	3,186,160	2,917,775	4,040,336	5,396,639
Adjustment to Fund Balance Due to Accounting Changes					
Fund Balance, Beginning of Year, as Restated	<u>3,172,124</u>	<u>3,186,160</u>	<u>2,917,775</u>	<u>4,040,336</u>	<u>5,396,639</u>
Fund Balance, End of Year	\$ <u>3,186,160</u>	\$ <u>2,917,775</u>	\$ <u>4,040,336</u>	\$ <u>5,396,639</u>	\$ <u>6,015,596</u>

**The Town's accounting policy for the recognition of active employee benefits was revised in 2014 in order to allocate the costs directly to the specific department instead of to a centralized employee benefits fund, which allows now for the classification of these expenditures by function. The accounting of employee benefits for retired employees, and Worker's Compensation expense, is the same as previous years.

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

COMBINED HIGHWAY FUNDS

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 60,721,325	\$ 62,778,193	\$ 59,694,197	\$ 63,869,989	\$ 63,163,119
Other Real Property Tax Items	767,508	679,768	683,733	752,084	813,801
Departmental Income	25,687	59,765	37,358	603,982	74,199
Intergovernmental Charges	65,021	38,151	191,646	438,553	332,405
Use of Money and Property	120,507	107,995	96,645	86,846	95,412
Licenses and Permits	174,519	131,620	224,005	332,651	429,064
Sale of Property	42,032	29,980	102,810	269,610	141,054
Miscellaneous Local Sources	315,437	45,861	334,750	183,467	159,287
Interfund Revenues	218,154	7,708	1,200,434	616,534	95,571
State Aid	2,844,274	3,586,797	3,466,174	3,851,366	4,251,199
Federal Aid	423,321	8,034,816	1,710,539	690,942	390,142
Total Revenues	<u>65,717,785</u>	<u>75,500,654</u>	<u>67,742,291</u>	<u>71,696,024</u>	<u>69,945,253</u>
Expenditures:					
Transportation	36,798,851	32,305,815	41,004,735	48,228,865	49,433,145
Employee Benefits	10,645,403	11,642,302	11,114,335	4,964,608	5,948,353
Debt Service	228,217	452,165	114,353		
Total Expenditures	<u>47,672,471</u>	<u>44,400,282</u>	<u>52,233,423</u>	<u>53,193,473</u>	<u>55,381,498</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,045,314	31,100,372	15,508,868	18,502,551	14,563,755
Other Financing Sources (Uses):					
Premiums on Obligations		69,222	298,680	1,444,883	160,775
Transfers In				3,617,380	2,243,862
Transfers Out	<u>(17,883,491)</u>	<u>(18,266,076)</u>	<u>(21,500,787)</u>	<u>(21,108,055)</u>	<u>(22,812,042)</u>
Total Other Financing Sources (Uses)	<u>(17,883,491)</u>	<u>(18,196,854)</u>	<u>(21,202,107)</u>	<u>(16,045,792)</u>	<u>(20,407,405)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	161,823	12,903,518	(5,693,239)	2,456,759	(5,843,650)
Fund Balance, Beginning of Year	13,246,427	13,408,250	26,311,768	20,618,529	23,075,288
Adjustment to Fund Balance Due to Accounting Changes					
Fund Balance, Beginning of Year, as Restated	<u>13,246,427</u>	<u>13,408,250</u>	<u>26,311,768</u>	<u>20,618,529</u>	<u>23,075,288</u>
Fund Balance, End of Year	<u>\$ 13,408,250</u>	<u>\$ 26,311,768</u>	<u>\$ 20,618,529</u>	<u>\$ 23,075,288</u>	<u>\$ 17,231,638</u>

**The Town's accounting policy for the recognition of active employee benefits was revised in 2014 in order to allocate the costs directly to the specific department instead of to a centralized employee benefits fund, which allows now for the classification of these expenditures by function. The accounting of employee benefits for retired employees, and Worker's Compensation expense, is the same as previous years.

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

TOWN REFUSE AND GARBAGE

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 45,587,254	\$ 42,908,234	\$ 42,064,159	\$ 41,997,665	\$ 41,472,785
Other Real Property Tax Items	4,555	2,480	1,748	1,233	694
Departmental Income			294,340	801,574	849,110
Use of Money and Property	69,392	60,231	60,594	57,870	71,757
Fines and Forfeitures	27,670	16,874	32,200	44,175	24,300
Sale of Property	11,491	5,004	5,844	6,801	6,711
Miscellaneous		13,455	444		2,000
State Aid		17,575		458,517	44,898
Federal Aid		52,724	81,000		
Total Revenues	<u>45,700,362</u>	<u>43,076,577</u>	<u>42,540,329</u>	<u>43,367,835</u>	<u>42,472,255</u>
Expenditures:					
Home and Community Services	43,129,913	41,535,117	41,364,802	43,680,054	42,092,130
Employee Benefits	<u>550,733</u>	<u>637,683</u>	<u>1,109,521</u>		
Total Expenditures	<u>43,680,646</u>	<u>42,172,800</u>	<u>42,474,323</u>	<u>43,680,054</u>	<u>42,092,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,019,716	903,777	66,006	(312,219)	380,125
Fund Balance, Beginning of Year	<u>6,582,515</u>	<u>8,602,231</u>	<u>9,506,008</u>	<u>9,572,014</u>	<u>9,259,795</u>
Fund Balance, End of Year	\$ <u>8,602,231</u>	\$ <u>9,506,008</u>	\$ <u>9,572,014</u>	\$ <u>9,259,795</u>	\$ <u>9,639,920</u>

**The Town's accounting policy for the recognition of active employee benefits was revised in 2014 in order to allocate the costs directly to the specific department instead of to a centralized employee benefits fund, which allows now for the classification of these expenditures by function. The accounting of employee benefits for retired employees, and Worker's Compensation expense, is the same as previous years.

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEBT SERVICE FUND

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes and Tax Items	\$	\$	\$ 7,388,111	\$ 7,300,000	\$ 8,306,814
Other Real Property Tax Items				98,880	117,601
Use of Money and Property	<u>11,646</u>	<u>21,581</u>	<u>1,169</u>	<u>12,793</u>	<u>6,873</u>
Total Revenues	<u>11,646</u>	<u>21,581</u>	<u>7,389,280</u>	<u>7,411,673</u>	<u>8,431,288</u>
Expenditures:					
General Government Support					
Debt Service:					
Principal	43,283,600	41,971,000	44,767,700	39,764,619	38,842,000
Interest	16,884,888	16,123,434	15,916,341	17,454,863	19,339,406
Bond Issuance Costs				273,731	384,049
Refunding Escrow	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Expenditures	<u>60,168,488</u>	<u>58,094,434</u>	<u>60,684,041</u>	<u>57,493,213</u>	<u>58,565,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,156,842)	(58,072,853)	(53,294,761)	(50,081,540)	(50,134,167)
Other Financing Sources (Uses):					
Transfers In:	60,168,488	58,094,434	53,295,930	50,670,602	49,882,471
Proceeds of Bonds	40,595,000				
Premium on Long-Term Debt	1,615,000			4,266,376	14,561,204
Refunding Bonds Issued				36,115,000	83,405,000
Debt Service Principal					
Payments to Escrow Holder - Adv Ref Bonds	(42,210,000)			(40,107,645)	(97,707,635)
Transfers Out	<u>(685,000)</u>	<u>(720,000)</u>	<u>(740,000)</u>	<u>(3,760,000)</u>	<u>(795,000)</u>
Total Other Financing Sources (Uses)	<u>59,483,488</u>	<u>57,374,434</u>	<u>52,555,930</u>	<u>47,184,333</u>	<u>49,346,040</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(673,354)	(698,419)	(738,831)	(2,897,207)	(788,127)
Fund Balance, Beginning of Year	<u>8,574,127</u>	<u>7,900,773</u>	<u>7,202,354</u>	<u>6,463,523</u>	<u>3,566,316</u>
Fund Balance, End of Year	\$ <u><u>7,900,773</u></u>	\$ <u><u>7,202,354</u></u>	\$ <u><u>6,463,523</u></u>	\$ <u><u>3,566,316</u></u>	\$ <u><u>2,778,189</u></u>

Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

	Fiscal Years Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 21,709,952	\$ 21,972,843	\$ 21,905,466	\$ 21,914,570	\$ 20,152,723
Other Property Tax Items	121,084	95,576	92,710	107,590	112,078
Departmental Income	860,049	1,027,563	1,396,898	1,645,037	1,422,335
Use of Money and Property	143,240	132,611	256,455	448,923	271,049
Sale of Property & Compensation for Loss		3,226		1,004	
Miscellaneous Local Sources	59,644	8,870	180,662	216,991	201,081
Federal Aid	12,982,039	11,332,795	6,375	13,437,938	14,810,734
State Aid		22,319	13,408,946		3,179
Total Revenues	<u>35,876,008</u>	<u>34,595,803</u>	<u>37,247,512</u>	<u>37,772,053</u>	<u>36,973,179</u>
Expenditures:					
General Government Support	2,363				
Public Safety	542,693	542,486	556,584	537,552	544,491
Health	9,900,204	10,176,258	10,114,330	10,104,840	10,512,225
Transportation	5,428,793	5,427,525	5,618,594	5,893,821	5,648,786
Culture and Recreation	68,563	75,897	30,366	40,017	36,132
Home & Community Services	14,184,621	14,499,058	16,648,918	17,027,627	18,051,662
Employee Benefits	725,625	634,662	777,668		
Debt Service	187,518	29,310	7,233		
Total Expenditures	<u>31,040,380</u>	<u>31,385,196</u>	<u>33,753,693</u>	<u>33,603,857</u>	<u>34,793,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,835,628	3,210,607	3,493,819	4,168,196	2,179,883
Other Financing Sources (Uses):					
Premiums on Obligations		5,122	34,163	413,501	495,272
Operating Transfers In	464,208	888,097	635,654	1,080,887	99,500
Operating Transfers (Out):	<u>(4,231,633)</u>	<u>(4,826,171)</u>	<u>(5,039,249)</u>	<u>(5,117,333)</u>	<u>(2,250,010)</u>
Total Other Financing Sources (Uses)	<u>(3,767,425)</u>	<u>(3,932,952)</u>	<u>(4,369,432)</u>	<u>(3,622,945)</u>	<u>(1,655,238)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,068,203	(722,345)	(875,613)	545,251	524,645
Fund Balance, Beginning of Year, as Restated	<u>15,124,184</u>	<u>16,192,387</u>	<u>15,470,042</u>	<u>14,594,429</u>	<u>15,139,680</u>
Fund Balance, End of Year	\$ <u><u>16,192,387</u></u>	\$ <u><u>15,470,042</u></u>	\$ <u><u>14,594,429</u></u>	\$ <u><u>15,139,680</u></u>	\$ <u><u>15,664,325</u></u>

**The Town's accounting policy for the recognition of active employee benefits was revised in 2014 in order to allocate the costs directly to the specific department instead of to a centralized employee benefits fund, which allows now for the classification of these expenditures by function. The accounting of employee benefits for retired employees, and Worker's Compensation expense, is the same as previous years.

Non-Major Governmental Funds include Ambulance, Docks, Erosion Control, Fire Protection, Street Lighting, Park, Sewer, Sidewalk and Water Districts
Sources: Audited Financial Reports of the Town (2011-2015)

NOTE: This Schedule NOT audited.

Tax Levy and Collection Record and Tax Rates

Fiscal Year Ending December 31:					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Tax Levy*	\$ 1,439,216,252	\$ 1,469,771,532	\$ 1,507,008,592	\$ 1,534,189,998	\$ 1,571,355,802
Amount to Town Supervisor	1,226,281,488	1,266,421,759	1,292,400,091	1,313,686,075	1,340,490,988
Amount to County Treasurer	212,934,764	203,349,773	214,608,501	220,503,923	230,864,814
Uncollected as of Final Report	56,224,243	56,915,097	68,659,734	64,052,779	N/A
Percent Uncollected	3.91%	3.90%	4.56%	4.18%	N/A
Tax Rates Per \$100 of Assessed Valuation:					
General Town:					
Town Wide	\$ 3.688	\$ 3.695	\$ 4.628	\$ 5.081	\$ 5.103
Outside Incorporated Villages	1.652	1.706	2.028	2.035	2.048
Highway:					
Town Wide	\$ 2.784	\$ 2.786	\$ 1.854	\$ 1.424	\$ 1.444
Outside Incorporated Villages	11.917	12.855	13.922	14.471	14.486

* Includes the County, the Town, Special Districts, School Districts and Fire Districts.

Tax Levy Components

<u>Taxing Jurisdiction</u>	<u>2016</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
School Districts	\$ 1,058,597,001	69.00 %	\$ 1,080,158,471	68.74 %
Suffolk County	220,484,678	14.37	230,846,695	14.69
Special Library Districts	2,914,635	0.19	2,922,422	0.19
Highway Town Wide	6,515,722	0.42	6,634,674	0.42
Highway Part Town	49,082,864	3.20	56,917,765	3.62
Fire Districts	84,499,220	5.51	88,557,746	5.64
Fire Protection Districts	554,303	0.04	616,797	0.04
Water Districts	482,899	0.03	664,505	0.04
Lighting Districts	4,664,340	0.30	4,726,777	0.30
Town Sewer Districts	735,455	0.05	679,641	0.04
Ambulance Districts	11,859,831	0.77	12,071,685	0.77
Park Districts	50,896	0.00	52,918	0.00
Dock Districts	278,722	0.02	263,055	0.02
Snow Tax	7,502,298	0.49		0.00
Unpaid Sewer and Water Rents	7,112	0.00	5,698	0.00
Green Homes	159,019	0.01	37,330	0.00
Demolition of Unsafe Structures	1,626,541	0.11	1,141,820	0.07
Out of County Tuition	3,077,317	0.20	3,107,896	0.20
Erosion Districts	288,606	0.02	300,896	0.02
Refuse and Garbage Districts	41,039,639	2.68	41,348,338	2.63
Clean up of Premises	273,146	0.02	392,551	0.02
Open Space Preservation	8,307,116	0.54	8,409,857	0.54
Town General Town Wide	23,227,772	1.51	23,447,255	1.49
Town General Part Town	7,960,866	0.52	8,051,010	0.51
	<u>\$ 1,534,189,998</u>	<u>100.00 %</u>	<u>\$ 1,571,355,802</u>	<u>100.00 %</u>

Source: Town of Brookhaven Taxable Districts Rate Sheets

TOWN OF BROOKHAVEN

APPENDIX B

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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

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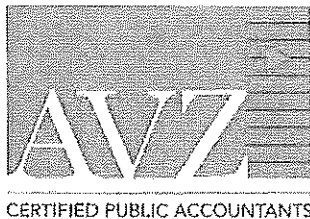
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**FINANCIAL
SECTION**



INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

PERSONAL SERVICE. TRUSTED ADVICE.

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

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INDEPENDENT MEMBER OF BKR INTERNATIONAL

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

Opinions

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Brookhaven, New York, as of December 31, 2015, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Note A and Note E to the basic financial statements, the Town of Brookhaven, New York adopted the provisions of Governmental Accounting Standards No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB 68*. Accordingly, the unrestricted net position as of January 1, 2015 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brookhaven, New York's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Town of Brookhaven, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brookhaven, New York's internal control over financial reporting and compliance.

Albert Vignar, Zrk & Conny P.C.

Hauppauge, New York
June 21, 2016

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

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

As management of the Town of Brookhaven (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2015 the General Fund's Total Fund Balance experienced an increase of \$4.7 million, and therefore did not utilize the planned operating deficit of \$4.1 million (per the Adopted Budget and excluding encumbrances carried forward). Excluding the General Fund's 2015 payment for the prior year's amortization liability to the New York State Retirement System (pension related debt) of \$3.7 million, the increase in total fund balance would have been \$8.4 million.
- At December 31, 2015, the total Unassigned Fund Balance of the General Fund improved \$9.7 million, to \$40.0 million, or a 32.0% increase and represents 75.2% of the total year end fund balance of \$53.2 million. The 2015 Unassigned Fund Balance represents 32.2% of the General Fund expenditures including operating transfers out. The increase in Unassigned Fund balance is attributable to the 2015 revenues in excess of expenditures and there is no planned use of unrestricted components of fund balance to fund the 2016 operating budget.
- The Highways Funds' combined fund balance decreased by \$5.8 million, to \$17.2 million at December 31, 2015. Excluding the Highway Funds' 2015 payment for the prior year's amortization liability to the New York State Retirement system (pension related debt) of \$1.7 million, the decrease in Total Highway Fund Balance would have been \$4.1 million. In addition, the 2015 Adopted Budget planned an Appropriation of Fund Balance of \$4.8 million due to excessive fund balance levels in the Full Town Highway tax district. Finally, the cost of snow removal in 2015 exceeded the 2015 Adopted Budget by \$7.7 million due to the unprecedented 26 snow and ice storms.
- The 2015 Capital Project Funds expenditures decreased by \$5.2 million from 2014, a 7.2% decrease. Overall, capital expenditures related to landfill construction and improvements decreased by \$9.3 million and expenditures for ambulance facility construction decreased by \$6.4 million. These decreases were offset by \$6.2 million increase in land acquisition, and a \$7.3 million increase in highway administration costs (road construction and resurfacing, highway facility improvements, drainage improvements, etc.).
- During the year, the Town had total revenues of \$297.5 million which consisted of governmental program revenues of \$108.4 million and general revenues of \$189.1 million; and total expenses of \$298.0 million.
- At December 31, 2015, the Town's governmental assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$448.0 million. Of this, \$179.1 million is an unrestricted deficit position, which does not necessarily indicate distress.
- As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Reporting for Pensions"*—and GASB Statement No. 71 *"Pension Transition Guidance for Contributions Made Subsequent to the Measurement Date"*, net position as of January 1, 2015 was decreased by \$4.2 million to reflect the cumulative effect of change in an accounting principle.

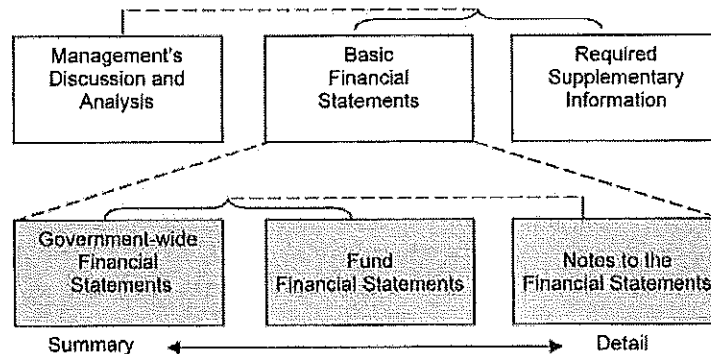
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

**COMPONENTS OF
THE ANNUAL FINANCIAL REPORT**



Government-wide Financial Statements

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

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

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

Governmental Activities

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

Fund Financial Statements

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

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

Fund Financial Statements (continued)

Governmental Funds

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

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

The Town maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the six (6) major funds. The General Fund, Town Outside Village Fund, Highway Fund, Refuse and Garbage Fund, Debt Service Fund, and Capital Projects Fund are reported as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplementary information section in this report.

The Town maintains various individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the six (6) major funds. The General Fund, Town Outside Village Fund, Highway Fund, Refuse and Garbage Fund, Debt Service Fund, and Capital Projects Fund are reported as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplementary information section in this report.

The Town adopts an annual appropriated budget for its General and Special Revenue Funds, except for the following funds: Capital Projects Fund, Debt Service Fund, Special Grants Fund and Permanent Fund. A budgetary comparison schedule for the General Fund can be found in the section labeled "Required Supplementary Information Other Than Management's Discussion and Analysis".

Fiduciary Funds

We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements

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

Other information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Brookhaven, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$448.0 million at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of the Town as a whole.

Condensed Statement of Net Position
as of December 31,

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 165,277,745	\$ 153,659,413
Non-current receivables and other assets	6,515,472	5,132,608
Capital assets	1,144,607,014	1,109,256,331
Total Assets	1,316,400,231	1,268,048,352
Deferred Outflows of Resources		
Deferred amounts on refundings and pensions	17,572,038	169,712
Liabilities		
Current and other liabilities	82,028,746	86,952,812
Long-term liabilities	800,757,736	728,453,850
Total Liabilities	882,786,482	815,406,662
Deferred Inflows of Resources	3,157,963	-
Net Position		
Net investment in capital assets	576,507,676	570,546,695
Restricted	50,606,523	29,858,824
Unrestricted	(179,086,375)	(147,594,117)
Total Net Position	\$ 448,027,824	\$ 452,811,402

The Town's governmental activities net position includes \$576.5 million in net invested in capital assets, \$50.6 million in net position restricted for specific purposes (primarily for capital projects and debt service) and \$179.1 million in unrestricted net deficit position.

Financial Highlights

Net Position

By far, the largest portion of the Town of Brookhaven's net position (\$576.5 million) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town of Brookhaven uses these capital assets to provide services to citizens; consequently, the related net position is not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

An additional portion of the Town of Brookhaven's net position, 11.3% or \$50.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net deficit of \$179.1 million.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Net Position (continued)

Total net position was again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of the Town's other postemployment benefits (OPEB) costs. The unfunded liability for postemployment benefits healthcare costs increased in 2015 by \$20 million bringing the unfunded liability at year-end to \$155.6 million. Additional information on Postemployment Benefits Healthcare Costs can be found in the notes to the financial statements.

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

Condensed Statement of Activities and Changes in Net Position
For the year ended December 31,

	Governmental Activities	
	2015	2014
Program Revenues		
Charges for services	\$ 80,772,119	\$ 76,877,711
Operating grants and contributions	19,166,908	19,871,907
Capital grants and contributions	8,419,820	13,178,356
Total Program Revenues	108,358,847	109,927,974
General Revenues		
Real property taxes	162,281,573	158,734,730
Other real property tax items	2,262,130	2,046,803
Non-property tax items	8,261,420	8,256,950
Interest earnings	410,668	396,335
Sale of property and compensation for loss	615,344	3,124,516
State aid - unrestricted	12,538,192	10,782,568
Gain on disposition of capital assets	2,162,379	
Other	546,675	424,159
Total General Revenues	189,078,381	183,766,061
Total Revenues	\$ 297,437,228	\$ 293,694,035

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Condensed Statement of Activities and Changes in Net Position (continued)
For the year ended December 31,

	Governmental Activities	
	2015	2014
Program Expenses		
General government support	\$ 46,758,837	\$ 56,712,370
Public safety	23,147,823	22,478,585
Health	10,880,914	10,998,951
Transportation	81,050,167	75,648,026
Economic assistance and opportunity	1,133,584	1,156,334
Culture and recreation	29,352,504	30,914,140
Home and community services	87,683,627	96,556,584
Interest on debt	18,037,813	20,061,105
Total Expenses	298,045,269	314,526,095
Change in Net Position	(608,041)	(20,832,060)
Net Position at Beginning of Year	452,811,402	473,643,462
*Cumulative Effect of Change in Accounting Principle	(4,175,537)	-
Net Position at End of Year	\$ 448,027,824	\$ 452,811,402

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

The Town's net position from governmental activities decreased slightly from the prior year by approximately \$608 thousand (excluding the effects of the cumulative change in accounting principle) from \$448.6 million (as restated) to \$448.0 million. Overall, program revenues of \$108.4 million increased slightly from \$109.9 million in 2014.

Overall, general revenues increased by \$5.3 million from \$183.8 million in 2014 to \$189.1 million in 2015 primarily due to an increase in real property taxes of \$3.5 million, \$1.7 million increase in unrestricted state aid-mortgage taxes, and a \$2.2 million gain on sale of properties.

Other notable changes are as follows:

- Charges for Services of \$80.8 million increased \$3.9 million from the prior year total of \$76.9 million. The 2015 landfill fees were \$2.2 million more than the 2014 levels. Additionally, the Town received \$1.5 million more in 2015 than 2014 for fees relating to building, zoning and planning fees.
- Operating Grants and Contributions of \$19.2 million remained consistent with the 2014 amounts of \$19.9 million. The Town received \$1.6 million less in FEMA funding, and that decrease was offset by an increase in Section 8 Housing Choice Vouchers grants of \$1.1 million.
- Capital Grants and Contributions decrease of \$4.8 million is primarily due to a \$1.7 million less received for an environmental protection grant for the Swan River restoration project, \$1.1 million in public safety grants primarily related to traffic safety/calming grants, \$1.3 million less in transportation grants primarily related to airport improvements, sidewalk improvements, street lighting and road construction.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Overall, total expense from governmental activities was \$298.0 million, a decrease of \$16.5 million from the 2014 expense of \$314.5 million. The decrease in total expenses is primarily due to a decrease in general government support expenses of \$10.0 million from the prior year, a decrease home and community costs of \$8.9 million and a decrease in interest expense of \$2.0 million, which is offset by a \$5.4 million increase in transportation expenses. General government support expenses decreased \$10.0 million primarily due to a \$5.6 million decrease in judgment and claims and a decrease of \$5 million related to a change in land capitalization policy. Home and community expenses decreased from the prior year due to \$6.4 million less expense related to the change in estimated landfill closure and postclosure care costs liability, a \$2.4 million decrease in the cost of providing garbage removal services to the Town residents, and an increase in tenant assistance under the Section 8 Housing Choice Voucher program of \$1 million. Interest expense decreased by \$2.0 million as a primarily due to increased amortization of premiums on bond issuance and effects of lower interest rates of the refunding bonds. The increase in transportation expenses is due to \$2.6 million additional snow removal costs, a \$1.4 million increase in street maintenance and an \$800,000 increase in depreciation costs.

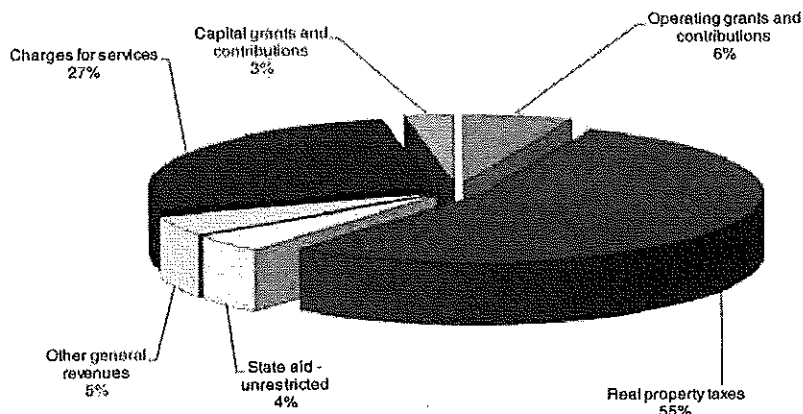
Governmental Activities

Net Cost of Services
Governmental Activities
for the years ended December 31,

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2015	2014	2015	2014	2015	2014
General government support	\$ 46,758,837	\$ 56,712,370	\$ 4,616,424	\$ 4,958,162	\$ (42,142,413)	\$ (51,754,208)
Public safety	23,147,823	22,478,585	8,315,619	8,943,348	(14,832,204)	(13,535,237)
Health	10,880,914	10,998,951	342,971	322,230	(10,537,943)	(10,676,721)
Transportation	81,050,167	75,648,026	6,394,314	8,128,105	(74,655,853)	(67,519,921)
Economic assistance and opportunity	1,133,584	1,156,334	555,659	560,247	(577,925)	(596,087)
Culture and recreation	29,352,504	30,914,140	7,466,131	6,647,469	(21,886,373)	(24,266,671)
Home and community services	87,683,627	96,556,584	80,139,437	79,834,569	(7,544,190)	(16,722,015)
Interest on debt	18,037,813	20,061,105	528,292	533,844	(17,509,521)	(19,527,261)
	<u>\$298,045,269</u>	<u>\$314,526,095</u>	<u>\$108,358,847</u>	<u>\$109,927,974</u>	<u>\$ (189,686,422)</u>	<u>\$ (204,598,121)</u>

The cost of all governmental activities this year was approximately \$298.0 million. The net cost of these services after being subsidized by program revenues of \$108.4 million was \$189.7 million.

Revenue by Source
Governmental Activities
for the year ended December 31, 2015

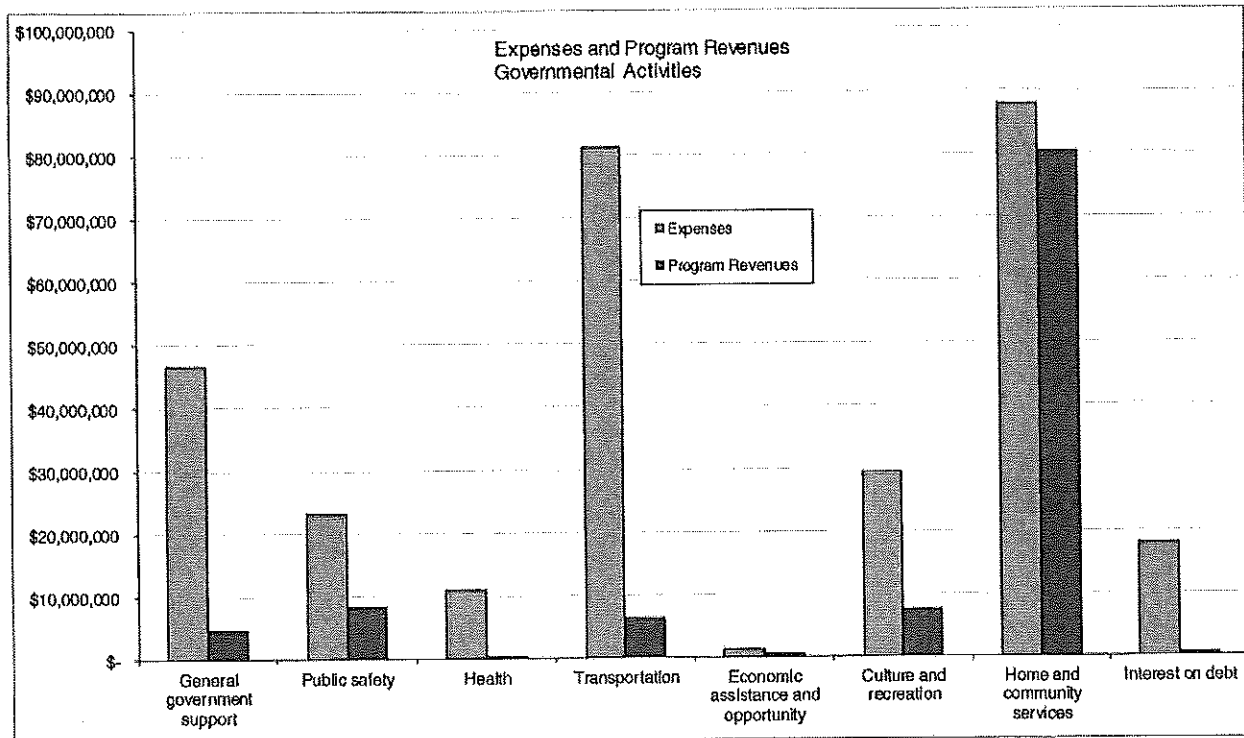


TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Financial Highlights (continued)

Governmental Activities (continued)



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

As the Town completed the year, the General Fund's total fund balance, including amounts assigned for the subsequent year's budget, was approximately \$53.2 million, a \$4.7 million increase from the prior year. Use of surplus had been budgeted at \$3.1 million (excluding the budgeted \$1.0 million use of restricted debt service reserves and excluding encumbrances brought forward), none of which was used due to higher than anticipated revenues and other financing sources (\$7.5 million and \$7.7 million, respectively as compared to the original budget) which was offset by \$6.4 million more of expenditures and other financing uses than anticipated, (as compared to the original budget). The \$7.5 million positive variance in revenues is primarily attributable to \$5.4 million in departmental income of which \$4.6 million is attributable to landfill fees, \$800,000 in additional proceeds from sale of property and other compensation for loss, \$450,000 in aid from New York State. Other financing sources exceeded the anticipated amounts (original budget) primarily due to a \$5.0 million bond issuance and related \$2.4 million receipt of a premium on bond issuance. Total expenditures exceeded the original budget due to \$7.1 million more in unallocated insurance and judgment and claims expenditures. The bond proceeds were used to fund this increase in judgment and claims.

The General Fund revenues (excluding other financing sources) increased \$7.7 million from \$112.8 million in 2014 to \$120.5 million in 2015. The increase is primarily attributable to a \$4.3 million increase in real property taxes to fund the transfer of highway administrative costs from the Highway Fund, \$2.2 million more in landfill fees, (including intergovernmental charges), and a \$1.8 million increase in mortgage taxes state aid.

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Total General Fund expenditures, excluding other financing uses, of \$98.6 million were \$11.6 million more than in 2014. During 2015, the Town elected to pay the outstanding pension related debt which resulted in a \$3.7 million increase the General Fund's unallocated retirement expenditures. Additionally, judgment and claims expenditures increased by \$7.4 million from the prior year. The Town utilized both the fund balance restricted for tax stabilization and fund balance assigned for pensions to fund the repayment of the pension related debt.

Total General Fund other financing uses (all of which is operating transfers out) of \$25.7 million were \$900,000 more than the prior year as the General Fund's debt service requirements were slightly higher than the prior year.

The General Fund's other financing sources totaled \$8.5 million, of which \$5.0 million was bond proceeds issued to fund judgment and claims expenditures and a \$2.4 million receipt of premiums on various bond issuances. Transfers in of \$1.1 million were \$2.8 million less than the previous year due to less transfers received from the capital projects fund for excess funding sources related to closed capital projects.

The Town has elected to present the Town Outside Village Fund as a major fund due to the significance of the public safety and planning and development departments which are included in this fund. At December 31, 2015, fund balance increased from \$5.4 million at 2014 to \$6.0 million in 2015. Actual revenues were \$2.5 million more than the previous year, primarily due to increases in real property taxes of \$1.3 million and a \$1.4 million increase in all sources departmental income (safety inspection fees, zoning fees, planning division fees, etc.). Overall expenditures (excluding other financing sources) were \$3.1 million more than 2014. This is primarily due to increased unallocated employee benefits of \$1.2 million stemming from increase healthcare costs (\$200,000) and repayment of the outstanding pension related debt (\$900,000). Additionally, in prior years, expenditures pertaining to the investigative division were reported in the General Fund; in 2015 this division is reported in the Town Outside Village as investigative services are not provided by the Town to the Villages, resulting in an increase in public safety expenditures of \$1.5 million as compared to 2014.

The Highway Fund's fund balance decreased \$5.8 million, from a balance of \$23.1 million at 2014 to \$17.2 million at the end of 2015. Actual revenues were \$1.8 million less than 2014 levels due a \$706,000 decrease in total real property taxes, \$530,000 less in departmental revenues (2014 reported \$446,000 revenue from defaulted highway permits), and a \$300,000 decrease in emergency disaster federal aid. Total expenditures of \$55.4 million were \$2.2 million more than 2014 which is due to increased snow removal costs of \$2.6 million and an increase in unallocated retirement expenditures of \$1.1 million associated with the repayment of the outstanding pension related debt. Offsetting these increases is a decrease in other transportation expenditures (highway related brush and weed maintenance) of \$1.4 million. Other financing uses increased by \$1.7 million due to higher debt service requirements. Other financing sources decreased by \$2.7 million from 2014 due to a one time transfer from the debt service fund reserves for reimbursement of debt service costs previously paid.

The Refuse and Garbage Fund revenues of \$42.5 million in 2015 decreased \$900,000 from 2014 levels of \$43.4 million due to \$500,000 less in real property taxes and \$460,000 less state aid for a onetime recycling grant received in 2014. Total expenditures of \$42.1 million were \$1.6 million lower than the 2014 levels due to decreased refuse and garbage collection costs as well as other contractual costs.

The Debt Service Fund receives transfers from the Town's other funds from which it pays the Town's debt service requirements. Its fund balance at December 31, 2015 was \$2.8 million, which is reserved primarily for annual General Fund Debt Service. During the 2015 year, the Debt Service Fund utilized \$765,000 of its reserves to reimbursement the General Fund for specific debt service costs. During 2015, the Town issued \$83.4 million and used the proceeds of \$98.0 million (the par amount of the refunding bonds and \$14.6 million in premiums on issuance) to defease \$90.3 million of general obligation bonds. During 2015, the Town expended \$58.2 million for principal and interest (\$38.9 million and \$19.3 million, respectively). During 2014 the Town expended \$57.2 million for principal and interest requirements (\$39.8 million and \$17.4 million, respectively).

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

In addition to the operating fund expenditures, the Town has a 5-year capital improvement plan that replaces and improves infrastructure, buildings and equipment. This 5-year plan strives to match current year's borrowings with debt payments in order to stabilize long-term debt. The capital plan is integrated with the Town's Multi-Year Plan (MYP) to project the impact of debt service. The Capital Fund's Total Fund Balance increased by approximately \$16.4 million from 2014. During the 2015, the Town received \$78.2 million in bond proceeds, \$3.8 million in federal and state aid, and expended \$68.0 million on various capital projects. Overall, capital project expenditures decreased by \$5.2 million from 2014.

The following schedule presents in summary all of the governmental funds revenues and expenditures for the years ended December 31, 2015 and 2014, and the amount of change and percentage of total in relation to the prior year.

	2015	2014	Increase (Decrease)	% Change
REVENUES				
Real property taxes	\$ 162,281,573	\$ 154,433,091	\$ 7,848,482	5.08%
Other real property tax items	2,262,130	1,838,476	423,654	23.04%
Non-property tax items	8,261,420	7,787,095	474,325	6.09%
Departmental income	68,674,514	60,432,422	8,242,092	13.64%
Intergovernmental charges	8,242,483	7,123,772	1,118,711	15.70%
Use of money and property	4,987,936	2,862,557	2,125,379	74.25%
Licenses and permits	750,922	561,704	189,218	33.69%
Fines and forfeitures	814,761	1,020,886	(206,125)	-20.19%
Sale of property and compensation for loss	4,236,816	2,952,374	1,284,442	43.51%
Miscellaneous local sources	2,597,743	2,482,853	114,890	4.63%
Interfund revenues	3,371,701	5,150,465	(1,778,764)	-34.54%
State aid	19,122,741	20,082,880	(960,139)	-4.78%
Federal aid	18,121,351	22,329,984	(4,208,633)	-18.85%
Total Governmental Fund Revenues	<u>\$ 303,726,091</u>	<u>\$ 289,058,559</u>	<u>\$ 14,667,532</u>	<u>5.07%</u>
EXPENDITURES				
Current:				
General government support	\$ 47,085,860	\$ 40,536,175	\$ 6,549,685	16.16%
Public safety	14,955,614	13,116,740	1,838,874	14.02%
Health	10,972,917	10,565,313	407,604	3.86%
Transportation	56,967,213	54,564,627	2,402,586	4.40%
Economic assistance and opportunity	1,729,379	1,753,271	(23,892)	-1.36%
Culture and recreation	20,748,854	20,239,248	509,606	2.52%
Home and community services	78,285,064	78,691,527	(406,463)	-0.52%
Employee benefits	19,855,617	14,651,801	5,203,816	35.52%
Capital Outlay	68,030,788	73,274,703	(5,243,915)	-7.16%
Debt Service:				
Principal	38,936,487	39,849,034	(912,547)	-2.29%
Interest	19,341,062	17,458,887	1,882,175	10.78%
Bond issuance costs	384,049	273,731	110,318	40.30%
Total Governmental Fund Expenditures	<u>\$ 377,292,704</u>	<u>\$ 364,975,057</u>	<u>\$ 12,317,647</u>	<u>3.37%</u>

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Budgetary Highlights for the General Fund

Final results for any given year may differ from that year's Adopted Budget. The following discusses significant variances between the 2015 adopted budget and actual revenues and expenditures for the General Fund:

Revenues - For 2015, total actual revenue, including other financing sources, was \$129.1 million, or \$15.2 million higher than the adopted budget. The primary drivers of the variance were the result of higher than expected landfill revenues (\$4.7 million), bond proceeds for judgment and claims (\$5.0 million) and premiums on bond issuances (\$2.4 million). There were no significant budget amendments to revenue during 2015, however, the other financing sources budget was increased by \$5.3 million to reflect the \$5 million bond proceeds and \$300 thousand in additional transfers received.

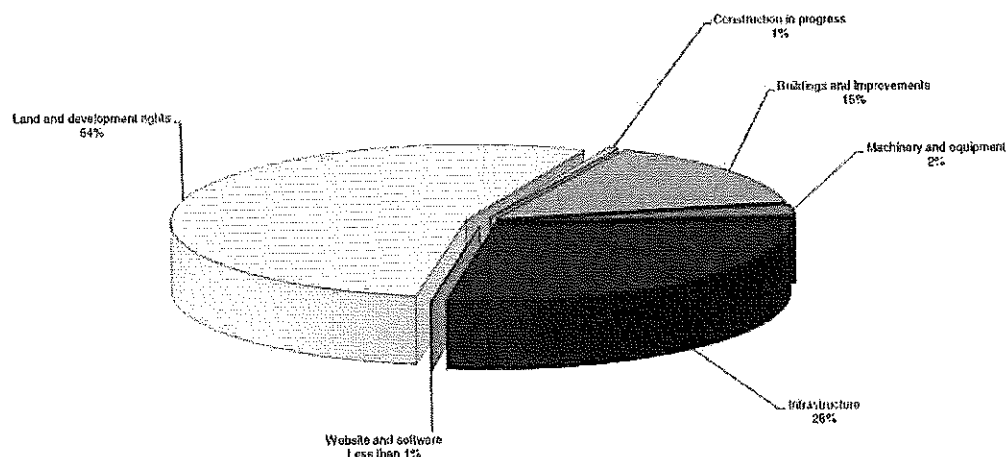
Expenditures - For 2015, total actual expenditures, including other financing uses, was \$124.4 million, or \$6.4 million more than the adopted budget. The expenditure budget variance is primarily related to higher than expected general government support costs of \$7.1 million relating primarily to a judgment and claim for land settlement of \$5.0 million, and higher than expected employee benefits of \$2.9 million due to repayment of the pension related debt of \$3.7 million allocated to the General Fund. These unexpected increases were offset by implementing cost saving measures wherever possible. During 2015, the budget for judgment and claims was increased by \$7.1 million and unallocated retirement system budget was increased by \$3.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital projects program is a long range program for the Town's capital spending. This program is only a guide and each year's plan must be authorized by Town Board resolution before the money is available to be spent. In 2015, the Town's total adopted capital budget was \$76.6 million, an increase from 2014 of almost \$23.1 million, primarily related to an increase of \$10.8 million for highway paving, resurfacing, drainage and traffic safety projects, \$2.0 million related to the landfill, \$2.5 million increase for airport improvements, and \$4.6 million increase in environmental protection projects.

Investment in Capital Assets



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

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

In 2015, the Town of Brookhaven's major capital asset investments were as follows:

Highway Road & Traffic Safety Improvements, Drainage & Machinery/Equipment	\$ 34,060,000
Waste Management Improvements and Equipment	8,500,000
Land Acquisition and Development Rights	23,000,000
Various Ambulance Buildings	1,300,000
Parks, Marinas & Recreational Facilities Improvements	6,000,000

The following presents the Town's investment in capital assets as of December 31, 2015 and 2014.

<u>Governmental Activities</u>	<u>2015</u>	<u>2014</u>
Land and development rights	\$ 618,387,865	\$ 595,296,835
Construction in progress	6,515,338	4,685,768
Buildings and improvements	292,434,049	286,548,706
Machinery and equipment	98,175,475	93,928,949
Infrastructure	864,070,178	825,415,081
Website and software	3,438,690	3,063,201
Total Capital Assets	1,883,021,595	1,808,938,540
Less accumulated depreciation	738,414,581	699,682,209
Governmental Activities - Total Net Capital Assets	<u>\$ 1,144,607,014</u>	<u>\$ 1,109,256,331</u>

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

Debt Administration

Long-Term Debt

As of December 31, 2015 and 2014, the Town had following total long-term bonded debt outstanding which is backed by the full faith and credit of the Town:

	<u>2015</u>	<u>2014</u>
General obligation bonds, exclusive of premiums	<u>\$ 572,982,170</u>	<u>\$ 535,480,820</u>

In December 2015, Moody's Investor Service reaffirmed the Town's general obligation bond ratings of "Aa2" and improved the Town's Outlook to Positive, and in February 2015 Standard & Poor's reaffirmed the Town's credit rating of "AA+" with a Positive Outlook, and were among the highest of any county or town on Long Island. The favorable credit ratings permit the Town to sell municipal bonds and refinance existing debt at a favorable interest rates whereby making them less of a financial burden to the taxpayers. In 2015 the Town issued \$166.6 million in general obligation bonds as follows: \$83.4 million in refunding bonds and \$39.4 million 2015 Series A and \$38.8 million 2015 Series B and \$5.0 million in 2015 Series C bonds. The refunding will result in cash flow savings \$6.7 million. The 2015 Series A and B bonds were issued to fund various capital projects and the 2015 Series C bonds were issued to fund judgment and claims costs. During 2015, the Town repaid \$129.1 million which includes \$90.3 million defeased through an advance refunding.

In May 2016 the Town received an general bond ratings upgrade from Standard & Poor's to "AAA", the highest possible designation, which will allow the Town to borrow in the future at the lowest possible interest rates. Standard & Poor's stated in their report dated May 27, 2016 that Brookhaven's fiscal position has an "extremely strong capacity to meet financial commitments".

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

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt Administration (continued)

Long-Term Debt (continued)

Debt Limit – The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent of the average full valuation of taxable real estate of the Town, and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service.

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of 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. Percentage of debt contracting power exhausted at December 31, 2015 was 16.7%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged. One of those factors is the economy. The local economy in the Town of Brookhaven, similar to other local and state municipalities, has been negatively impacted due slow recovery of the national, state, and local economies, especially in the areas of flat wages, continued foreclosures within the Town of Brookhaven, and stagnant real estate sales prices. The continued slow recovery was reflected in the New York State Property Tax Cap rate of 0.73% for fiscal year 2016.

During 2015, Long Island continued to experience signs of economic strengthening with private sector jobs increasing 1.9%, or 21,600. The Town's annual unemployment rate for 2015 declined to 4.8%, versus 5.3% in 2014, and compares favorably to New York State's 5.3% and the national rate of 5.3%. The Town has many large employers that provide professional positions for many residents. In particular, the State University at Stony Brook (and its hospital), Brookhaven National Laboratory, Sachem School District, and John T. Mather Hospital, are just a few examples of high-end employers providing high paying jobs in both the public and private sector.

The Town has a master plan for development which is annually updated to reflect substantial increases in population and growth over the past few years. This plan affords a coordinated approach to meeting the Town's development goals while at the same time protecting the Town's underground water supply and other natural resources and preserving the generally high quality of life of the Town's residents. The plan calls for suburban residential development and economic development of clean, light industry and service industries such as electronics, pharmaceuticals and technology, as well as funding for open space acquisitions.

Completed economic projects in 2015 included the Suffolk Transportation Hub in Coram, the Islandaire, Inc. in East Setauket, S Power in Wading River, and MS Packaging & Supply Corporation in Yaphank. Continued progress was made in 2015 on the Ronkonkoma Hub Transit Oriented Redevelopment Plan, the expansion of the Stony Brook University Medical Center, the doubling of the facility for Amneal Pharmaceuticals in Yaphank, and the Meadows at Yaphank Lake. New significant projects include WHTB Glass in Shirley, a Chinese Glass Window production facility, and the adaptive reuse of Briarcliff College in Patchogue by Anheuser Busch/Blue Point Brewery.

In 2010, New York State Legislature and the Governor enacted legislation that established a "Property Tax Cap" on the amount a local government's or school district's property tax levy can increase each year. Under this law, the growth in the property tax levy is capped at 2 percent, or the rate of inflation, whichever is less. The Town's 2016 adopted budget, like the 2015 and 2016 budgets, was in full compliance with the tax cap.

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

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

In 2014, New York State Legislature and the Governor enacted legislation that established the "Property Tax Freeze Act", which provides a rebate of tax increases to taxpayers if the municipality is in compliance with the 2015 Property Tax Cap. The 2015 adopted budget was in compliance with the Property Tax Cap and; therefore, the Town of Brookhaven taxpayers received a tax rebate in March 2016.

For year two of the 2014 "Property Tax Freeze Act", compliance with both the 2016 Property Tax Cap and an Approved Efficiency Plan are required. The Town's 2016 Adopted Budget was in compliance the 2016 Property Tax Cap, and the Town's Efficiency Plan filed in July 2015 has been approved.

For 2016, the Supervisor put forth a conservative budget to mitigate the impact of declining revenue in some key areas, such as Mortgage Tax Receipts, in the General Fund.

- The General Fund's levied taxes in 2016 totaled \$23.2 million and were \$2.0 million more than the tax levy from 2015 due to a transfer of Highway Administrative Costs and related Property Taxes, from the Town Wide Highway Fund to the Town Wide General Fund, as required by New York State Laws.
- The 2016 expenditure budget for the General Fund was more than 2015 primarily due to employee compensation net increases of \$1.0 million mandated by the union collective bargaining agreements, higher health insurance premiums, as well as an increase in Debt Service of \$1.0 million before the use of Debt Reserves.
- The 2016 General Fund revenue budget, excluding property taxes, increased slightly over the 2015 adopted budget by \$870,000, primarily related to the estimated increases in landfill fees.

For 2016, the Adopted Budget for the General Fund planned to use \$1.3 million in surplus from the Debt Reserve. The Town intends to continue its reduction in the use of surplus and is currently exploring alternatives such as increases in non-property tax revenues, and identifying additional operational efficiencies

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Commissioner of Finance, Tamara Wright, at One Independence Hill, Farmingville, NY 11738.

**BASIC FINANCIAL
STATEMENTS**

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

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 137,910,225
Cash - restricted	1,569,889
Accounts receivable, net of allowance of \$352,366	10,318,589
Due from trust and agency funds	1,822
Insurance escrow deposits	667,668
State and federal aid receivables	6,000,550
Due from other governments	4,795,543
Prepaid expenses and other assets	2,863,659
Inventory of material and supplies	1,149,800
	<u>165,277,745</u>
Total Current Assets	<u>165,277,745</u>
Non-Current Assets:	
Receivables - rehabilitation loans and other	2,028,401
Due from other governments, net of current portion	4,487,071
Non-depreciable capital assets	624,903,203
Depreciable capital assets, net of accumulated depreciation	519,703,811
	<u>1,151,122,486</u>
Total Non-Current Assets	<u>1,151,122,486</u>
Total Assets	<u>1,316,400,231</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension amounts	10,397,605
Deferred charges on refundings	7,174,433
	<u>17,572,038</u>
Total Deferred Outflows of Resources	<u>17,572,038</u>
LIABILITIES	
Current Liabilities:	
Accounts payable, including retainage payable	23,835,597
Accrued interest and other expenses	3,564,593
Due to trust and agency funds	53,067
Due to other governments	463,421
Claims and judgments payable	6,302,187
Unearned revenues	2,619,372
Noncurrent liabilities due within one year	45,190,509
	<u>82,028,746</u>
Total Current Liabilities	<u>82,028,746</u>
Non-current Liabilities:	
Noncurrent liabilities due in more than one year	800,757,736
	<u>800,757,736</u>
Total Liabilities	<u>882,786,482</u>
DEFERRED INFLOWS OF RESOURCES	
Service concession arrangements	1,610,000
Pension amounts	1,547,963
	<u>3,157,963</u>
Total Deferred Inflows of Resources	<u>3,157,963</u>
NET POSITION	
Net investment in capital assets	576,507,876
Restricted:	
Home and community services	2,409,409
West Meadow Beach	
Nonexpendable	1,453,934
Capital projects	31,762,398
Debt service	14,770,719
Other	210,063
Unrestricted	(179,086,375)
Total Net Position	<u>\$ 448,027,824</u>

See notes to the financial statements.

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

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Government Activities:					
General government support	\$ 46,758,837	\$ 2,385,676	\$ 15,683	\$ 1,715,065	\$ (42,142,413)
Public safety	23,147,823	7,418,193	35,000	862,426	(14,832,204)
Health	10,880,914	342,971			(10,537,943)
Transportation	81,050,167	1,179,542	735,220	4,479,552	(74,665,853)
Economic assistance and opportunity	1,133,584	38,573	517,086		(577,925)
Culture and recreation	29,352,504	5,795,374	1,151,028	519,729	(21,886,373)
Home and community services	87,683,627	63,111,790	16,184,599	843,048	(7,544,190)
Debt interest and other related costs	19,037,813		528,292		(17,509,521)
Total Governmental Activities	\$ 298,045,269	\$ 80,772,119	\$ 19,186,908	\$ 5,419,820	(189,686,422)
		General Revenues			
		Real property taxes			
					162,281,573
		Other real property tax items			
					2,262,130
		Non-property tax items			
					8,281,420
		Interest earnings			
					410,668
		Sale of property and compensation for loss			
					615,344
		State aid - unrestricted			
					12,538,192
		Gain on disposition of capital assets			
					2,162,379
		Other			
					546,675
		Total General Revenues and Transfers			
					189,078,381
		Change in Net Position			
					(608,041)
		Net Position at Beginning of Year, as originally reported			
					452,811,402
		Cumulative Effect of Change in Accounting Principle			
					(4,175,537)
		Net Position , at Beginning of Year, as restated			
					448,635,865
		Net Position at End of Year			
					\$ 448,027,824

See notes to the financial statements.

TOWN OF BROOKHAVEN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	MAJOR GOVERNMENTAL FUNDS						Totals
	General	Town Outside Village	Highway	Refuse and Garbage	Debt Service	Capital Projects	
ASSETS							
Cash and cash equivalents	\$ 48,597,487	\$ 6,471,207	\$ 19,376,062	\$ 13,161,227	\$ 2,778,189	\$ 32,853,015	\$ 137,910,225
Cash - restricted	50,188						1,569,888
Accounts receivable, net of allowance of \$352,367	9,197,840	189,554	75,360	475		770,079	10,318,589
Due from other funds	142,757					55,740	250,221
Due from trust and agency funds	1,822						1,822
Insurance escrow deposits	667,668						667,668
State and federal aid receivables	619,037	13,395	617,353			4,241,420	6,000,550
Prepaid charges	9,165,929	404,272	5,503	850		96,937	9,282,814
Loans receivable	1,559,594		727,019	101,276			2,863,659
Inventory of material and supplies	155,349		994,451				418,401
Total Assets	\$ 70,147,681	\$ 7,078,428	\$ 20,795,748	\$ 13,263,828	\$ 2,778,189	\$ 38,018,191	\$ 170,433,437
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 2,283,395	\$ 209,418	\$ 1,237,909	\$ 3,447,545		\$ 7,200,727	\$ 15,743,022
Accrued liabilities	4,312,684	726,497	1,382,875	176,363		41,657	7,257,181
Due to other funds	63,376					15,098	250,221
Due to trust and agency funds	53,067						53,067
Due to other governments	125,903	4,245	2,029			267,507	483,421
Unearned revenue	179,048	1,606	941,297			2,119,638	2,720,720
Claims and judgments payable	5,239,824	121,066					6,302,187
Total Liabilities	\$ 12,207,297	\$ 1,062,832	\$ 3,564,110	\$ 3,623,908	\$ -	\$ 9,644,625	\$ 32,789,819
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	4,773,939					744,445	5,518,384
FUND BALANCES							
Nonspendable	1,714,943	404,272	1,721,470	101,276			5,487,393
Restricted	11,283,666	202,119	4,618,357		\$ 2,778,189	27,629,121	49,987,982
Assigned	124,122	5,409,205	10,691,811	9,536,644			36,631,145
Unassigned	40,038,714						40,038,714
Total Fund Balances	\$ 53,166,445	\$ 6,015,596	\$ 17,231,638	\$ 9,639,920	\$ 2,778,189	\$ 27,629,121	\$ 132,125,234
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 70,147,681	\$ 7,078,428	\$ 20,795,748	\$ 13,263,828	\$ 2,778,189	\$ 38,018,191	\$ 170,433,437

See notes to financial statements.

TOWN OF BROOKHAVEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of December 31, 2015

Total Fund Balances - Governmental Funds **\$ 132,125,234**

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

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

Capital assets - non-depreciable	\$ 624,903,203	
Capital assets - depreciable	1,258,118,392	
Accumulated depreciation	<u>(738,414,581)</u>	
		1,144,607,014

Deferred outflows of resources not reported in the governmental funds 17,572,038

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported in the government funds.

General obligation bonds payable, inclusive of premiums	(603,318,704)	
Due to New York State Power Authority	(253,572)	
Net pension liability	(8,782,921)	
Deferred compensation	(5,272,597)	
Compensated absences	(18,469,783)	
Claims and judgments payable	(18,585,956)	
Estimated liability for landfill closure and postclosure care costs	(34,708,726)	
Pollution remediation obligation	(990,589)	
Other postemployment benefits payable	(155,565,397)	
Accrued interest payable	(3,564,593)	
Retainage payable	<u>(835,393)</u>	
		(850,348,231)

Deferred inflows of resources related to pensions not recorded in the governmental funds (1,547,963)

Some revenues are not available in the current period and, therefore, are not reported in the funds.

5,619,732

Net Position of Governmental Activities **\$ 448,027,824**

See notes to financial statements.

TOWN OF BROOKHAVEN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	MAJOR GOVERNMENTAL FUNDS						Nonmajor Governmental Funds	Totals
	General	Town Outside Village	Highway	Refuse and Garbage	Debt Service	Capital Projects		
REVENUES								
Real property taxes	\$ 21,226,870	\$ 7,959,262	\$ 63,163,119	\$ 41,472,785	\$ 8,306,814		\$ 20,152,723	\$ 162,281,573
Other real property tax items	1,207,181	10,775	613,801	694	117,601		112,078	2,282,130
Non-property tax items	8,261,420							8,261,420
Departmental income	56,472,961	9,855,909	74,199	849,110			1,422,335	68,674,514
Intergovernmental charges	7,910,078		332,405					8,242,483
Use of money and property	4,485,525	21,407	95,412	71,757			271,049	4,967,936
Licenses and permits	256,317		429,064					750,922
Fines and forfeitures	190,736	599,725			6,873			814,761
Sale of property and compensation for loss	3,987,284		141,054	24,300				4,236,816
Miscellaneous local sources	1,103,766	379,740	159,287	6,711			201,081	2,587,743
Interfund revenues	3,276,130		95,571	2,000				3,371,701
State aid	11,477,553	1,805,932	4,251,193	44,898			1,536,980	18,122,741
Federal aid	69,1337	1,884	390,142				2,228,774	18,121,351
Total Revenues	120,547,558	20,703,155	69,945,253	42,472,255	8,431,288	4,553,303	36,973,179	303,726,091
EXPENDITURES								
Current								
General government support	44,697,710	2,997,950						47,085,660
Public safety	3,604,698	10,906,435					544,491	14,955,614
Health		460,692					10,512,225	10,972,917
Transportation	1,885,282		49,433,145				5,848,785	56,967,213
Economic assistance and opportunity	1,729,379						1,729,379	1,729,379
Culture and recreation	20,712,722						36,182	20,748,904
Home and community services	14,076,118			42,092,130			18,051,662	78,265,064
Employees benefits	11,812,966	4,065,154	5,948,353				19,855,617	22,682,079
Capital Outlay		2,084,298					66,030,788	68,114,086
Debt Service:								
Principal	94,487				36,842,000			36,936,487
Interest	1,856				19,389,406			19,391,262
Bond issuance costs					384,049			384,049
Total Expenditures	98,805,009	19,524,529	55,381,499	42,092,130	58,565,455	66,030,788	34,793,296	377,292,704
Excess (Deficiency) of Revenues Over (Under) Expenditures								
	21,842,550	878,626	14,563,755	380,125	(50,134,167)	(63,377,485)	2,179,883	(73,566,613)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,099,913							1,099,913
Transfers out	(26,748,187)	40,835	160,775		49,882,471	2,673,515	495,272	54,351,781
Debt proceeds	5,000,000	(395,485)	(22,812,042)		(795,000)	(2,351,057)	(2,250,010)	(54,351,781)
Premiums on obligations	2,418,109	94,981	2,243,862		14,551,204	78,198,350	99,500	83,198,550
Refunding bonds issued					83,405,000	1,298,170		84,703,170
Payment to refunded bond escrow agent					(97,707,635)			(97,707,635)
Total Other Financing Sources (Uses)	(17,231,185)	(259,659)	(20,407,405)	380,125	49,346,040	79,818,978	(1,855,238)	89,611,541
Net Change in Fund Balances	4,711,495	618,957	(5,843,650)	380,125	(798,127)	16,441,493	524,645	16,044,928
Fund Balances (Deficit) at Beginning of Year	49,454,960	5,396,639	23,075,298	9,259,795	3,566,316	11,187,623	15,139,680	116,080,306
Fund Balances at End of Year	\$ 53,166,445	\$ 6,015,596	\$ 17,231,638	\$ 9,639,920	\$ 2,778,189	\$ 27,629,121	\$ 15,664,325	\$ 132,125,234

See notes to the financial statements.

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

Net Change in Fund Balances		\$ 16,044,928
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:		
Capital outlay	\$ 76,411,291	
Depreciation expense	(40,719,575)	
Loss on dispositions	<u>(341,033)</u>	
		35,350,683
Net change in deferred outflows of resources not reported in the funds:		
Deferred charges on refundings	7,004,721	
Pension related amounts	<u>2,824,795</u>	
		9,829,516
Differences in revenues recognized in the statement of activities and the fund level due to the measurement focus/basis of accounting differences between the government-wide statements and fund level statements.		(506,665)
The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital leases consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		
Bonds issued	(166,603,350)	
Repayment of bond principal	129,102,000	
Due to New York State Power Authority repayment	94,434	
Due to New York State Employees' Retirement System	8,224,775	
Net pension liability	2,965,426	
Compensated absences	(238,301)	
Deferred compensation	229,947	
Claims and judgments	5,648,615	
Estimated liability for landfill closure and post closure care costs	(1,191,415)	
Other postemployment benefits payable	<u>(19,973,662)</u>	
		(41,741,531)
Premiums on bond issuances recognized in governmental funds statements when issued and capitalized and amortized in the Statement of Activities.		(19,137,506)
Net change in deferred inflows of resources related to pensions		(1,547,963)
Other long-term amounts (accrued interest and retainage payable) are not due and payable in the current period and, therefore, are not reported in the funds.		<u>1,100,497</u>
Change in Net Position of Governmental Activities		\$ (608,041)

See notes to the financial statements.

TOWN OF BROOKHAVEN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2015

	Agency Funds
ASSETS	
Cash	\$ 206,806,137
Length of service plan assets	5,479,321
Due from governmental funds	<u>53,067</u>
Total Assets	<u>\$ 212,338,525</u>
LIABILITIES	
Due to New York State Comptroller	\$ 160
Due to Treasurer of Suffolk County, New York	1,417,714
Due to the Department of Health of the State of New York	2,182
Due to the Department of Agriculture and Markets of the State of New York	539
Due to school districts	156,545,119
Due to fire districts	12,457,941
Due to governmental funds	1,822
Liability arising from length of service plan	5,479,321
Other agency liabilities	<u>36,433,727</u>
Total Liabilities	<u>\$ 212,338,525</u>

See notes to the financial statements.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Brookhaven (the "Town"), which was established in 1655, is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board and the Supervisor are elected for a term of two years. Board members are elected by their respective districts for terms of two years. The Supervisor serves as the Chief Fiscal Officer. The Receiver of Taxes and the Town Clerk are elected for a term of four years, and the Superintendent of Highways is elected for a term of two years. The Town Board appoints the Commissioner of Finance, the Town Attorney, the Assessor, and the Planning Board.

The Town provides a full range of municipal services either directly or through Town-operated special districts, including public safety, planning, zoning, code enforcement, highway construction and maintenance, street lighting, programs for the aging, youth services, parks and recreation, garbage pick-up and disposal, and administration of certain State and Federal grant programs.

The basic financial statements of the Town of Brookhaven have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

1. REPORTING ENTITY

Included in the Reporting Entity

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

The decision to include a potential component unit in the Town's reporting entity is based on several criteria, including legal standings, dependency and financial accountability. Component units are classified as either blended component units or discretely presented component units. The current guidance also distinguishes the component units as either major or non-major component units.

Blended Component Units – though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Town does not have blended component units.

Discretely component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. They are financially accountable to the primary government, or have a relationship such that exclusion would cause the Town's financial statements to be misleading or incomplete. The discrete component units serve or benefit those outside of the primary government. The Town does not report any discretely presented component units.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). There are no component units included in this report.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole. All fiduciary activities are reported in the fund financial statements.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

While separate government-wide and fund financial statements are presented, they are interrelated. In the government-wide financial statements, the governmental activities incorporate data from the governmental funds while business-type activities incorporate data from a government's enterprise funds. The Town has no business-type or enterprise funds. Separate financial statements are provided for governmental fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements, except for interfund services provided and used.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Certain funds of the Town are utilized to account for resources derived from and/or expenditures applicable to an area less than the entire town. Accordingly, the Town maintains the following fund types:

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

The Town reports the following major governmental funds:

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

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

Highway Fund – is used to account for revenues and expenditures for highway purposes and consists of both the highway town-wide fund and the highway part-town fund. The major areas of expenditures are repairs and improvements, machinery, snow and miscellaneous. The major source of revenue is property taxes.

Refuse and Garbage Fund – is used to account for revenues and expenditures for garbage collection. The major source of revenue is property taxes.

Debt Service Fund – is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the financial resources that are being accumulated for principal and interest payments in future years.

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

Additionally, the Town reports the following non-major governmental funds:

Special Grant Fund – is used to account for Federal Aid for the Community Development Block Grant Program, Low Income Housing Program, Home Investment Partnership, Go Solar Revolving Fund Program and the Green Homes Revolving Grant Program.

Brookhaven Calabro Airport Fund – is used to account for the operations related to the Calabro Airport.

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

Fire Protection Districts:

E. Patchogue	Moriches	N. Bellport	Water Island
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Ambulance Districts:

Blue Point / E. Patchogue	E. Moriches /Eastport	Mastic	Mastic Beach
Medford	Manorville	Mount Sinai	South Country
Shirley			

Water Districts:

Cherry Grove	Fire Island Pines	Holtsville	W. Setauket
Medford #1	Medford #2	Pipe Stave Hollow	Shirley
Stony Brook	Sound Beach		

Erosion Control Districts:

Davis Park	Fire Island Pines	Ocean Bay Park	Point O'Woods
Seaview	Water Island		

Sidewalk Districts:

Comsewogue	Granny Road
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Sewer Districts:

Holbrook	Brookhaven	Brookhaven #2
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Park Districts:

Ocean Bay Park	S. Setauket
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Refuse and Garbage Districts

Cherry Grove	Davis Park	Fire Island Pines	Seaview-Ocean Bay Park Joint
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Other Districts:

Street Lighting District	Cherry Grove Dock District	Fire Island Pines Dock District
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TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

Special Reserve Funds – collect fees which are held in escrow and reserved for specific purposes.

The Town's non-major funds included the following special reserve funds:

Park Reserve Escrow

Highway Reserve Escrow

Drainage Reserve Escrow

Permanent Fund – is used to account for and report resources that are restricted pursuant to State legislation. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

West Meadow Beach Endowment – is used to account for monies restricted for preserving and protecting West Meadow Beach. The principal portion of this fund must remain intact, but the earnings may be used for preserving and protecting West Meadow Beach.

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

Agency Funds – is used for money (and/or property) received and held in the capacity of trustee, custodian or agent. The Town's fiduciary funds include agency funds as follows:

Town Agency Funds – is used to account for the length of service plan and other agency liabilities.

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

Town Clerk – is used to account for amounts collected on behalf of other governments for licenses and permit fees.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue once the grant has been awarded and all eligibility requirements imposed by the provider have been met. An exception to this policy is that emergency disaster assistance grants awarded by the Federal Emergency Management Agency are recognized in the year the Town receives the notification of project worksheet award ("Blue Book"). However, if the Town has received the Blue Book and has received the grant proceeds within sixty days of year-end, the revenue will be recognized in the year the expenditures are incurred.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues available if they are collected within 60 days after the year. However, landfill revenues, which is recorded when services are provided and grants and similar items, are recognized as described above. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, deferred compensation, claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and other postemployment benefits healthcare costs are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Revenues susceptible to accrual include Suffolk County local assistance at year end on behalf of the Town, franchise fees, and charges for services, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred or in the case of emergency disaster grants when the Blue Book is awarded. In the capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds. Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when services are received; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absence, which vest or accumulate, and deferred compensation are charged as expenditures when paid and (d) judgment and claims and retainage payable are recorded when due and payable.

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

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

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

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

CASH AND INVESTMENTS

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

State statutes govern the Town's investment policies. The Town has a written investment policy stating that Town money must be deposited in FDIC-insured commercial banks located within the State. The Town is authorized to use demand accounts and certificates of deposit. Permissible investments include, but not limited to, special time deposit accounts, obligations of the United States Treasury and United States agencies, obligations of New York State or its localities. Collateral is required for demand deposits and time deposits accounts at 105% of all deposits not covered by federal deposit insurance.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

RESTRICTED CASH

The Town has \$1.57 million of restricted cash, of which \$1.45 million is restricted for environmental education and preservation activities for the West Meadow Beach under the terms of an endowment fund pursuant to New York State legislature, \$50,000 is held by a fiscal agent and \$66,000 for the federally funded Family Self Sufficiency Program.

RECEIVABLES

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

The Town in its normal course of business is subject to the risk that it may be unable to collect all outstanding accounts receivable arising from user fees. Therefore, the Town has established an allowance account totaling \$352,366.

DUE FROM/TO OTHER FUNDS

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

INVENTORY AND PREPAID ITEMS

Inventory consists of fuel in storage tanks for use in Town vehicles, sand and salt, and other supplies on hand and is valued at cost, using the first-in first-out method.

Prepaid items in the governmental funds are accounted for under the consumption method.

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

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

CAPITAL ASSETS

Capital assets are reported at cost or estimated historical cost. Capital assets excluding land, purchased or acquired having a cost of more than \$5,000 are capitalized. Land acquired prior to January 1, 2015, was capitalized if land acquired through purchase or donation was at least one acre. Effective January 1, 2015, land acquired with a cost of more than \$10,000, and land donated having a fair value of \$10,000 or more are capitalized. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation and amortization on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20-50 years
Machinery and equipment	5-20 years
Infrastructure	15-30 years
Website and software	5 years

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

CAPITAL ASSETS (continued)

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

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

PREMIUMS OF DEBT ISSUANCE

Premiums related to the issuance of long-term debt are amortized on a straight-line basis over the life of the issue and are presented as part of the general obligation bonds payable in the non-current liabilities.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

LONG-TERM OBLIGATIONS

In the government-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, due to New York State Power Authority, net pension liability, pension related debt, compensated absences, deferred compensation, estimated claims and judgments, the estimated liability for landfill closure and postclosure care costs, pollution remediation obligations, and other postemployment benefits are recognized in the statement of net position. Bond premiums and discounts, as well as gains/losses on early extinguishment of debt, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are recognized as an expenditure/outflow of resources when incurred.

In the fund statements, only that portion of long-term obligations expected to be financed from expendable available financial resources is reported as a fund liability. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

NET POSITION AND EQUITY CLASSIFICATIONS

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

- a) Net investment in capital assets — consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted — consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted — all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

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

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NET POSITION AND EQUITY CLASSIFICATIONS (continued)

- c) Assigned fund balance reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- d) Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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

FUND BALANCE POLICIES

The Town has, by resolution, adopted a fund balance policy that states the Town must maintain a minimum fund balance, exclusive of nonspendable fund balance, equal to no less than a defined percentage of the total budgeted expenditures as follows:

General Fund	20%
Part-Town Fund	15%
Highway Funds	10%

In the event of an emergency that necessitates appropriation of fund balance which results in fund balance, exclusive of nonspendable amounts, to fall below the above stated minimum thresholds, a Town Board resolution is required. In addition, subsequent to such appropriation, the Town Board will immediately take measures to restore fund balance over a three year period.

In accordance with Local Law 18B-4, in any year where the General Fund is in compliance with the above stated policy and where revenues collected, excluding application of surplus, exceed expenditures, the excess revenues shall be allocated January 1st of the subsequent year as follows:

Eighty percent of the excess shall remain in the General Fund and allocated as follows:

- Fifty percent allocated to unassigned fund balance
- Ten percent allocated to the solid waste management reserve
- Ten percent allocated to the motor vehicle reserve
- Ten percent allocated to the capital projects reserve

Twenty percent shall be transferred to the Joseph Macchia Environmental Preservation Capital Reserve Fund, a component of the Capital Projects Fund.

Accordingly, subsequent to year end, the Town transferred \$253,020 from the General Fund to the Capital Projects Fund (Joseph Macchia Environmental Preservation Fund) and allocated \$379,530 from the General Fund's unassigned fund balance to the General Fund's fund balance restricted for 1) various capital costs (\$253,020) and 2) landfill postclosure care costs (\$126,510) to comply with Local Law18B-4.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. REVENUES AND EXPENDITURES/EXPENSES

PROGRAM REVENUES

Amounts reported as program revenues includes 1) charges to customers or applicants who purchase, use, directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

Real property taxes are levied annually no later than December 1st and are recognized as revenue January 1st of the year for which they were levied. The lien date is December 1st of the same calendar year the taxes are levied. Real property tax payments are due in two equal installments: the first half payable December 1st preceding the year for which the tax is levied and the second half payable May 10th. The first half tax is payable without penalty until January 10th and the second half tax is payable without penalty to May 31st. The Town has its own Assessor's Office whose responsibilities are independent and distinct from those of the Receiver of Taxes ("Receiver"). The Town assessment rolls are used for the levy of real property taxes by the Town and the school districts, as well as by the County of Suffolk, New York, ("County") and by special districts based upon a single tax bill.

The Receiver collects all taxes based on this single bill and distributes the proceeds to the Town Supervisor ("Supervisor") prior to distributing the remaining balance collected to the County. Responsibility for the collection of unpaid taxes remains with the County and, accordingly, the Town is assured of 100% collection of real property taxes. The responsibility of transmitting school taxes to the school districts rests with the Supervisor. Property tax bills that are collected prior to January 1st and that relate to the subsequent year are recorded as deferred inflows of resources.

OTHER POSTEMPLOYMENT BENEFITS

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

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year.

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. REVENUES AND EXPENDITURES/EXPENSES (continued)

DEFERRED COMPENSATION

The liability for deferred compensation is recorded as current and non-current obligations in the government-wide statements. The liability is comprised of a defined number of days of employees pay withheld pursuant to the terms of the various labor contracts during the years ended December 31, 2011 - 2015; the deferral of the 2011-2015 longevity payments, and a retirement incentive offered and accepted by employees electing early retirement during the year ended December 31, 2012 -2014. In the fund statements only the portion of deferred compensation payable from expendable available resources is reported as an expenditure and liability in the respective fund that will pay it.

COMPENSATED ABSENCES

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and non-current obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements only the compensated absence liability payable from expendable available financial resources is reported. The amount that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability in the funds statement in the respective fund that will pay it.

PENSIONS

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

INTERFUND TRANSACTIONS

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

a) Interfund Revenues

Interfund revenues and quasi-external transactions represent amounts charged for services or facilities provided to another fund. The amounts paid by the fund receiving the benefit of the service or facilities, are reflected as an expenditure of that fund.

b) Transfers

Operating transfers are nonexchange transactions whereby the government or fund gives or receives value without directly receiving or giving equal value in return. Operating transfers primarily represent payments to the debt service and capital projects funds from the other funds for their appropriate share of the debt service or capital project costs.

6. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded for budgetary control purposes in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds except the capital projects fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

8. NEW ACCOUNTING PRINCIPLES

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

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

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. BUDGETARY DATA

An operating budget is legally adopted each year for the General, Special Revenue (with the exception of the special grant funds and debt service fund) and enterprise funds (if applicable). The Capital Projects Fund is budgeted on a project basis. The Supervisor, with the assistance of the Commissioner of Finance, prepares a tentative budget each year and the Town Board holds a public hearing. Subsequent to the public hearing, revisions, if any, are made and the budget is adopted by the Town Board as its final budget for the coming year. The budget is not subject to referendum. Appropriations are adopted at the object level. The Supervisor maintains control over the budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the individual account level. The Commissioner of Finance may authorize budgetary transfers between departments within any fund for amounts less than \$10,000. Amounts between \$10,000 and \$25,000 need the approval of the Supervisor's Office. Any budgetary transfers \$25,000 to \$50,000 must be approved by Town Board and all in excess of \$50,000 requires Town Board resolution. Any supplemental appropriations that amend the total expenditures of any fund require Town Board Resolution.

In several instances actual expenditures exceeded appropriations at the account level. Appropriations lapse at year-end. The budgets are adopted on a basis of accounting consistent with GAAP. Significant revenue and expenditure accruals are reflected in the budget when known through budget transfers or amendments. As a result, management believes that differences between the budgetary basis of accounting and the method used for financial reporting purposes are not material.

In accordance with Local Law, the total amount of expenditures in the annual adopted General Fund operating budget shall not increase from the most recent adopted operating budget including revisions adopted by Town Board resolution, by more than the three year average of revenue growth plus the three year average population growth rate for the three previous completed fiscal years. When the calculated growth rate is less than zero percent, adopted expenditures shall not exceed expenditure in the most recent adopted budget. However, the Town Board may provide for an increase in spending in excess of the amount defined by a vote of three-fourths of the Town Board.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

1. BUDGETARY DATA (continued)

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There was no tax increase in 2015.

2. FUND EQUITY

FUND BALANCE

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

	General Fund	Town Outside Village Fund	Highway Funds	Refuse and Garbage Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$ 1,559,594	\$ 404,272	\$ 727,019	\$ 101,276			\$ 71,498	\$ 2,863,659
Inventory	155,349		994,451					1,149,800
Permanent fund principal							1,453,934	1,453,934
Total Nonspendable	1,714,943	404,272	1,721,470	101,276	-	-	1,525,432	5,467,393
Restricted for:								
Capital projects	1,708,728					\$ 27,629,121		29,337,849
Grantors and donors restrictions							2,409,409	2,409,409
Landfill post-closure costs	3,259,942							3,259,942
Compensated absences	22,821							22,821
Debt service	4,851,596	144,349	3,434,464		\$ 2,778,189		732,835	11,941,433
Debt service - subsequent year's budget	1,300,000	50,000	1,150,000				329,286	2,829,286
Other	135,094	7,770						142,864
Pollution remediation	10,485							10,485
Snow removal			33,893					33,893
Total Restricted	11,288,065	202,119	4,618,357	-	2,778,189	27,629,121	3,471,530	49,987,982
Assigned to:								
Subsequent year's budget			1,400,000	1,036,116			879,379	4,215,495
Snow and ice removal			2,900,000					2,900,000
Capital projects	59,122							59,122
Purchases on order or contractual obligations	65,000	13,860	395,471	47,213				521,344
Special revenue funds		5,395,545	6,196,340	7,555,315			9,787,984	28,935,184
Total Assigned	124,122	6,409,205	10,891,811	9,538,644	-	-	10,667,363	36,631,145
Unassigned, reported in:								
General fund	40,038,714							40,038,714
Total Unassigned	40,038,714	-	-	-	-	-	-	40,038,714
Total Fund Balances	\$ 53,166,445	\$ 6,015,596	\$ 17,231,638	\$ 9,639,920	\$ 2,778,189	\$ 27,629,121	\$ 15,664,325	\$ 132,125,234

C. DETAILED NOTES ON ALL FUNDS

1. CASH AND INVESTMENTS

Annually, the Town Board designates the bank depositories and approves an investment policy. The investment policy limits the amount of deposits at any time in any one bank or trust company to \$120 million. The following risk assessments apply to cash and investment of the Town.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

1. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Town's investments policy defines permissible investments, limits the amount of deposits at any time any one bank or trust company, requires that bank balances in excess of the Federal Deposit Insurance Corporation insurance limits of \$250,000 are protected with a custodial agreements which requires that balances are fully collateralized in accordance with New York State General Municipal Law (GML) and limits the form of acceptable collateralization.

Financial institutions can satisfy collateral requirements by furnishing an eligible letter of credit, an eligible surety bond, by pledging eligible securities as specified in Section 10 of GML, or participating in a deposit placement program pursuant to section 9-r of the banking law. Irrevocable letters of credit issued as collateral in certain situations may require a threshold of up to 140% of aggregate deposits. Eligible securities that may be pledged as collateral includes but is not limited to obligations of the United States or its agencies, obligations of New York State and obligation of municipalities of New York State.

The use of available daily balances to determine collateral requirements may result in the available balance being under-collateralized at various times during the year.

At December 31, 2015, the carrying amount of the Town's cash and investments were \$346,244,509. This amount is inclusive of fiduciary fund deposits and restricted cash but exclusive of petty cash of \$41,742. The bank balance was \$350,966,224. Of the bank balance, \$60,978,965 was covered by Federal deposit insurance, and \$289,987,259 was covered by collateral held by the Town's agent, a third party financial institution with a fair value of \$308,690,435.

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

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

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

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

2. RECEIVABLES

In 2003, the Town entered into an inter-municipal agreement with a school district whereby the school district will pay to the Town \$21,000,000 over a seventeen year period in equal installments of \$1,235,294 for a refund of taxes due to the Town. The present value of the long-term receivable was calculated using a discount rate of 4.25%. In addition, the Town entered into a PILOT agreement with Long Island Power Authority ("LIPA"), whereby LIPA will pay to the Town, relating taxing jurisdictions, and/or special districts \$2,000,000 per year for seventeen years.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

2. RECEIVABLES (continued)

Under the terms of the agreements, the Town will receive \$1,235,294 of the school district's share of the PILOT payment as consideration for the outstanding receivable through 2019, as follows:

	Principal	Interest	Total
Years ending December 31, 2016	\$ 1,042,487	\$ 192,807	\$ 1,235,294
2017	1,087,666	147,628	1,235,294
2018	1,134,803	100,491	1,235,294
2019	1,183,983	51,311	1,235,294
	<u>\$ 4,448,939</u>	<u>\$ 492,237</u>	<u>\$ 4,941,176</u>

The above receivable is included in the reported due from other governments and corresponding deferred outflows of resources is reported in the General Fund.

Additionally, in 2010 the Town was awarded a \$1 million dollar settlement. Under the terms of the settlement agreement, the award will be repaid over ten years. At December 31, 2013, the outstanding balance was \$444,445 and which will be repaid in annual installments of \$88,888 through December 31, 2020 and is included in the reported Capital Projects Fund accounts receivable and deferred inflows of resources balances.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Governmental Activities:	Receivable	Payable
Major Funds:		
General Fund	\$ 142,757	\$ 63,376
Capital Projects	56,740	15,098
Total Major Funds	<u>199,497</u>	<u>78,474</u>
Nonmajor Funds:		
Special Grants	49,267	171,747
Park Reserve Escrow	1,457	
Total Nonmajor Funds	<u>50,724</u>	<u>171,747</u>
Total	<u>\$ 250,221</u>	<u>\$ 250,221</u>

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TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund transfer balances for the Town at December 31, 2015 represent primarily the payment of operating and capital expenditures in addition to general obligation bond and bond anticipation note principal and interest and are as follows:

	Transfers In	Transfers Out
Governmental Activities:		
Major Funds:		
General Fund	\$ 1,098,913	\$ 25,748,187
Town Outside Village	40,835	395,485
Highway	160,775	22,812,042
Debt Service	49,882,471	795,000
Capital Projects	2,673,515	2,351,057
Total Major Funds	<u>53,856,509</u>	<u>52,101,771</u>
Nonmajor Funds:		
Airport	405,368	80,460
Ambulance Districts	12,488	1,259,150
Dock Districts		169,497
Erosion Control Districts		70,895
Fire Protection Districts	585	
Street Lighting Districts	29,873	203,969
Sewer Districts	46,958	463,110
Water Districts		2,929
Total Nonmajor Funds	<u>495,272</u>	<u>2,250,010</u>
Total	<u>\$ 54,351,781</u>	<u>\$ 54,351,781</u>

4. ENDOWMENT

Pursuant to the State of New York Legislature dated June 12, 1996, interest earnings up to a maximum rate of five percent may be expended by the West Meadow Beach endowment fund provided that the prior year's interest enables such expenditures without reducing the accounts beginning principal of the prior year. The West Meadow Beach endowment fund expenditure plan is adopted by Town Board. The endowment fund's fund balance is restricted and is segregated between spendable and nonspendable. At December 31, 2015, there is no spendable portion of fund balance. For the year ended December 31, 2015, there was no net appreciation on investments for the West Meadow Beach endowment fund.

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TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

5. CAPITAL ASSETS

The summary of changes within the capital assets for the Town of Brookhaven for the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land and development rights	\$ 595,296,835	\$ 23,091,030		\$ 618,387,865
Construction in progress	4,885,768	5,442,245	\$ 3,612,675	6,515,338
Total Capital Assets Not Being Depreciated	599,982,603	28,533,275	3,612,675	624,903,203
Depreciable capital assets:				
Buildings and improvements	286,548,706	6,865,053	979,710	292,434,049
Machinery and equipment	93,928,949	5,595,052	1,348,526	98,175,475
Infrastructure	825,415,081	38,655,097		864,070,178
Website and software	3,063,201	375,489		3,438,690
Total Depreciable Capital Assets	1,208,955,937	51,490,691	2,328,236	1,258,118,392
Less accumulated depreciation/amortization:				
Buildings and improvements	116,870,106	11,440,447	698,011	127,412,542
Machinery and equipment	65,652,708	6,347,223	1,289,192	70,710,739
Infrastructure	515,513,787	22,489,276		538,003,063
Website and software	1,845,608	442,629		2,288,237
Total Accumulated Depreciation/Amortization	\$ 699,682,209	\$ 40,719,575	\$ 1,987,203	738,414,581
Total Net Depreciable Capital Assets				519,703,811
Total Net Capital Assets				\$ 1,144,607,014
Depreciation/amortization expense was charged to the governmental functions as follows:				
General government support		\$ 4,797,987		
Public safety		3,784,747		
Health		656,956		
Transportation		17,697,940		
Economic assistance and opportunity		1,670		
Culture and recreation		6,719,989		
Home and community services		7,060,286		
Total Governmental Activities Depreciation/Amortization Expense		\$ 40,719,575		

The Town of Brookhaven evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2015, the Town has not recorded any such impairment losses.

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TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS

LONG-TERM DEBT

A summary of the Town's changes in long-term debt transactions for the year ended December 31, 2015 is as follows:

	(As Restated) Balance 01/01/15	Increases	Reductions	Balance 12/31/15	Noncurrent liabilities due within one year	Noncurrent liabilities
Governmental Activities:						
General obligation bonds	\$ 535,480,820	\$ 166,803,350	\$ 129,102,000	\$ 572,982,170	\$ 41,463,820	\$ 531,518,350
Plus premiums on issuance	11,199,028	20,715,826	1,578,320	30,336,534		30,336,534
Total general obligation bonds	546,679,848	187,519,176	130,680,320	603,518,704	41,463,820	561,854,884
Due to NYS Power Authority	348,006		94,434	253,572	102,544	151,028
Pension related debt	8,224,775		8,224,775			
Net pension liability	11,748,347	9,368,271	12,393,697	8,782,921		8,782,921
Compensated absences	18,231,482	8,722,026	8,483,725	18,469,783	2,500,000	15,969,783
Deferred compensation	5,502,544	288,466	518,403	5,272,597	815,245	4,457,352
Claims and judgments	29,105,206	8,361,308	12,578,371	24,888,143	6,302,187	18,585,956
Estimated liability for landfill closure and postclosure care costs	33,517,311	4,166,658	2,975,243	34,708,726	308,900	34,399,826
Pollution remediation obligation	990,589			990,589		990,589
Other postemployment benefits payable	135,591,735	29,477,657	9,503,995	155,565,397		155,565,397
				Subtotal	51,492,696	800,757,736
				Less: amount reported as judgment and claims payable	(6,302,187)	-
				Noncurrent liabilities	\$ 45,190,509	\$ 800,757,736

General Obligation Bonds – The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town, including bonds of the Town Special Districts which are payable from tax revenues of the areas benefited, bear interest at various rates from 1.0% to 6.4% and have various maturity dates through 2033. The original amount borrowed for debt currently outstanding, excluding defeased debt is \$717,655,445.

A summary of general obligation bonds and long-term bond anticipation notes payable, exclusive of premiums by purpose is as follows:

	Balance 01/01/15	Issued	Redeemed	Balance 12/31/15
Governmental Activities:				
Major Funds:				
General Fund	\$ 322,119,029	\$ 125,433,806	\$ 107,238,375	\$ 340,314,460
Town Outside Village	4,572,395	1,954,953	217,500	6,309,848
Highway Fund	181,213,646	37,533,960	20,316,662	198,430,944
Total Major Funds	507,905,070	164,922,719	127,772,537	545,055,252
Nonmajor Funds:				
Airport Fund	276,137	259,585	110,831	424,891
Ambulance Districts	16,755,935	20,000	585,917	16,190,018
Dock Districts	1,317,570		115,494	1,202,076
Erosion Control Districts	1,141,502		33,659	1,107,843
Fire Protection Districts		43,161		43,161
Street Lighting District	3,125,451	1,357,885	81,593	4,401,743
Sewer Districts	4,935,000		400,000	4,535,000
Water Districts	24,155		1,969	22,186
Total Nonmajor Funds	27,575,750	1,680,631	1,329,463	27,926,918
Total Governmental Activities	\$ 535,480,820	\$ 166,603,350	\$ 129,102,000	\$ 572,982,170

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Future principal and interest payments to maturity for the Town's governmental activities are as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2016	\$ 41,463,820	\$ 19,921,116	\$ 61,384,936
2017	46,468,350	18,260,857	64,729,207
2018	44,215,000	16,691,197	60,906,197
2019	45,440,000	15,129,490	60,569,490
2020	46,515,000	13,456,423	59,971,423
2021-2025	223,890,000	43,076,432	266,966,432
2026-2030	122,920,000	8,416,759	131,336,759
2031	2,070,000	126,752	2,196,752
Totals	<u>\$ 572,982,170</u>	<u>\$ 135,079,026</u>	<u>\$ 708,061,196</u>

Interest on EFC debt (revolving fund revenue bonds) can be higher or lower than actually shown due to fluctuations in the subsidy portion of the interest payment.

Advance Refunding of Bonds

During 2015, the Town issued \$83,405,000 in Refunding Serial Bonds with interest rates ranging from 3.0% to 5.0% and annual maturities through May 2027; however it is subject to optional redemption in May 2025.

The net proceeds of \$97,582,155 (the par amount of the bonds plus a premium of \$14,561,204 less underwriter's fees, insurance and other issuance costs of \$384,049) together with Town funding of \$125,480, were used to refund \$90,260,000 of outstanding 2007 Series A and B Public Improvement Serial Bonds with interest rates ranging from 4.00% to 4.25%.

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

The refunding was done in order to reduce debt payments in the short-term. The refunding reduced future total debt service payments by \$6,709,438. The overall transaction resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$5,108,532 for the Town.

Defeasance of Debt

In the current year and in prior years, the Town of Brookhaven defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2015, \$390,260,000 of these bonds outstanding are considered defeased.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Due to New York State Power Authority

The Town has a note payable in the amount of \$253,572 due to the New York State Power Authority for improvements to Town Hall. This note has a variable interest rate (approximately 0.90% at December 31, 2015) and is payable by the General Fund through 2018.

Annual debt service requirements to maturity for the note payable are as follows:

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2016	\$ 102,544	\$ 1,321	\$ 103,865
2017	95,278	548	95,826
2018	55,750	95	55,845
Totals	<u>\$ 253,572</u>	<u>\$ 1,964</u>	<u>\$ 255,536</u>

Other Long-Term Debt

Liabilities for claims and judgments, landfill closure and postclosure care costs, pollution remediation obligations and litigation are liquidated through future budgetary appropriations in the General Fund. The liabilities for compensated absences, deferred compensation, other postemployment benefits payable, net pension liability, pension related debt and claims specific to workers' compensation are typically liquidated through future budgetary appropriation in the General Fund, Town Outside Village, Highway Fund, Refuse and Garbage funds and all other funds that gave rise to the liability.

7. RETIREMENT SYSTEM

Plan Description

The Town of Brookhaven participates in the New York State and Local Employees' Retirement System ("ERS" or the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the system. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changes for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Benefits Provided

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tiers 1 and 2

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

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

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

Tiers 3, 4, and 5

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

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

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

Tier 6

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

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

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Post-Retirement Benefit Increases

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

Contributions

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

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

	Regular Pension Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Deferred Amount	Amortization Payments	Total Payments
2015	\$ 11,366,135	\$ 192,514	\$ (104,020)	\$ -	\$ -	\$ 11,454,629
2014	12,098,614	(1,214,936)	(111,560)	-	2,079,580	12,851,698
2013	13,643,265	153,774	(136,615)	(2,125,729)	1,820,621	13,355,316

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Contributions (continued)

In addition to the above noted payment of \$12,851,698 for 2015, the Town repaid \$8,224,775 pension related debt (pertaining to Chapters 105 and 57 of the Laws of 2010) in advance of the contractual due dates.

During 2010, pursuant to Chapter 105 of the Laws of 2010, the New York State Legislature authorized local governments to make available a retirement incentive program with estimated total costs to the Town of \$4,728,974. The cost of the program is billed and paid over five years beginning in 2011 and will include interest at 5.0%. The outstanding balance of \$913,245 at January 1, 2015 was paid during the year end December 31, 2015, resulting in no outstanding liability.

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

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the Systems' average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

The law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. During the years ended December 31, 2010-2013, the Town had elected to defer a combined total of \$9,012,647 of the billed retirement contribution. At January 1, 2015, the outstanding pension related debt balance of \$7,311,530 was paid during 2015, resulting in no outstanding liability at December 31, 2015.

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

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

<u>Measurement Date</u>	<u>Net Pension Liability</u>	<u>Allocation of the System's Total Net Liability</u>
March 31, 2015	\$ 8,782,921	0.25998480%

The net pension liability was determined by an actuarial valuation as of April 1, 2015 and was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. There was no significant change in the Town's proportionate share from March 31, 2014 to March 31, 2015.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

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

For the year ended December 31, 2015, the Town recognized pension expense of \$7,561,638. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 281,151
Net difference between projected and actual investment earning on pension plan investments	1,525,482
Contributions made subsequent to the measurement date	<u>8,590,972</u>
Total Deferred Outflows of Resources - pension amounts	<u>\$ 10,397,605</u>
Deferred Inflows of Resources:	
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	<u>\$ 1,547,963</u>
Total Deferred Inflows of Resources - pension amounts	<u>\$ 1,547,963</u>

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

Plan Year Ended March 31, 2016	\$ 64,667
2017	64,667
2018	64,667
2019	<u>64,669</u>
	<u>\$258,670</u>

Actuarial Assumptions

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

Actuarial Valuation Date	<u>April 1, 2014</u>
Interest rate	7.50%
Salary scale	
Inflation	2.70%
Productivity and merit	2.20%
Total salary scale	4.90%
Inflation rate	2.70%
	April 1, 2005-March 2010
Decrement tables	System's Experience

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Actuarial Assumptions (continued)

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

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

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1.00% Decrease	Current Assumption	1.00% Increase
	6.50%	7.50%	8.50%
Town's proportionate share of the collective net pension liability/(asset)	\$ 58,541,670	\$ 8,782,921	\$(33,226,054)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)
Valuation Date	April 1, 2014
Employers' total pension liability	\$ (164,591,504)
Plan net position	161,213,259
Employers' net pension liability	\$ (3,378,245)
Ratio of plan net position to the Employers' total pension liability	97.95%

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town, as a single-employer defined benefit OPEB plan, per its contract with employees, will pay the full premium costs for medical insurance coverage (currently provided through the New York State Empire Plan plus Enhancement) at retirement, provided the employee retired after January 1, 1992, is at least 55 years of age and has been employed with the Town for at least five consecutive years if hired prior to January 1, 2011 and ten years for those hired after January 1, 2011. The retiree and spouse is also eligible for Medicare reimbursement in the amount of \$1,259 per year. The Town also will pay the full premium for \$10,000 life insurance coverage for retirees who retire on or after January 1, 1977. Healthcare benefits for non-union employees are similar to those of union employees and the contracts will be renegotiated at various times in the future. Upon death of a retiree who retired after January 1, 2001, the Town will only continue health insurance for the non-remarried spouse and dependents of the employee provided that the employee was eligible to receive a pension from the New York State Retirement System and the surviving spouse contributes 25% of the cost.

The Town, as administrator of the plan, does not issue a separate report.

As of January 1, 2015, the effective date of the most recent OPEB valuation, there is a total of 1,602 participants which includes 844 active employees and 758 retired employees. There have been no significant changes in the number of employees or the type of coverage since that date.

Funding Policy

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

8. OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2015, the Town's annual other postemployment benefits cost (expenses) was \$29,477,657. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$9,503,995 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$19,973,662 for the year ended December 31, 2015.

Benefit Obligations and Normal Cost as of January 1, 2015

	Governmental Activities
Retired employees	\$ 184,377,894
Active employees	170,437,358
Unfunded actuarial accrued liability	<u>\$ 354,815,252</u>

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town's unfunded actuarial accrued liability for the year ended December 31, 2015 amounted to \$354,815,252.

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

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

	Medical Plan	Medicare Part B	Life Insurance	Total Governmental Activities
Normal cost	\$ 10,510,670	\$ 1,863,596	\$ 67,397	\$ 12,441,663
Amortization of unfunded actuarial liability (UAAL) over 30 years	14,648,136	2,700,630	244,329	17,593,095
Interest	840,357	162,199	8,755	1,011,311
Annual required contribution (ARC)	25,999,163	4,726,425	320,481	31,046,069
Interest on net OPEB obligations	4,467,973	912,647	43,050	5,423,670
Adjustment to ARC	<u>(5,760,017)</u>	<u>(1,176,565)</u>	<u>(55,500)</u>	<u>(6,992,082)</u>
OPEB cost	24,707,119	4,462,507	308,031	29,477,657
Less: Contribution for year ended December 31, 2015	<u>8,299,807</u>	<u>1,018,489</u>	<u>185,699</u>	<u>9,503,995</u>
Increase in other postemployment benefits liability	16,407,312	3,444,018	122,332	19,973,662
Other postemployment benefits liability at beginning of year	<u>111,699,344</u>	<u>22,816,163</u>	<u>1,076,228</u>	<u>135,591,735</u>
Other postemployment benefits liability at end of year	<u>\$ 128,106,656</u>	<u>\$ 26,260,181</u>	<u>\$ 1,198,560</u>	<u>\$ 155,565,397</u>
Percent of annual OPEB cost contributed	33.59%	22.82%	60.29%	32.24%

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

8. OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 29,477,657	32.24%	\$ 155,565,397
2014	27,140,626	37.21%	135,591,735
2013	26,027,705	34.45%	118,549,057

The funded status of the plan as of January 1, 2015 (the date of the most recent valuation) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
1/1/2015	\$ -0-	\$ 354,815,252	\$ 354,815,252	0.00%	\$ 69,526,032	510.33%
1/1/2013	\$ -0-	\$ 313,443,062	\$ 313,443,062	0.00%	\$ 68,519,018	457.45%
1/1/2011	\$ -0-	\$ 281,485,326	\$ 281,485,326	0.00%	\$ 71,184,105	395.43%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

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

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

In the January 1, 2015 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members on a closed basis. The actuarial assumptions utilized a 4.0% interest rate and a 2.5% payroll growth rate. The valuation assumes a 9.0% (pre-65) and a 5.0% (post 65) healthcare cost trend rate for the year ended 2015 and reduced decrements to a rate of 5% after three years.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

9. COMPENSATED ABSENCES

Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave, and unused compensatory absences at various rates subject to certain maximum limitations. Separated employees with accruals less than or equal to \$30,000 at the time of separation are paid in one lump sum. Separated employees with an accrual greater than \$30,000 receive payment in three annual installments as follows: forty percent at the time of separation and thirty percent in each of the two following years.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the statement of net position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable.

However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2015, the value of the accumulated vacation time, sick leave and compensatory absences was \$18,469,783 for governmental activities of which \$17,577,676 is owed to active employees and \$892,107 is owed to separated employees.

As of December 31, 2015, the contractual future payments of due to separated employees for compensated absences accruals are as follows:

Years ending December 31, 2016	\$	577,051
2017		264,641
2018		50,415
		<hr/>
	\$	892,107

10. DEFERRED COMPENSATION

In accordance with the terms of the labor contract, during 2011-2014, the equivalent of ten days of pay was withheld from each employee (as defined in each labor contract) , except for certain management employees with which the equivalent of 15 days of pay was withheld, each year. This liability is payable upon the employee's separation from employment at the rate of pay at time of such separation and totaled \$2,559,895 at December 31, 2015.

Additionally, pursuant to the terms of the non-highway labor agreements, payment for longevity compensation earned during 2011, 2012 and 2013, was deferred. The amounts earned for the years ended December 31, 2011, 2012 and 2013 will be paid on the earlier date of separation from employment or the employees hire anniversary date in the years ending December 31, 2014 and 2015, respectively. The liability for longevity deferment totaled \$323,850 at December 31, 2015.

Deferred compensation also includes retirement incentive payable related to incentives offered and accepted by employees electing early retirement in 2012 -2014. The incentive liability will be paid to each retiree in three equal annual installments commencing in the year following the retiree received their last installment of compensated absences due. The early retirement incentive liability included in deferred compensation totaled \$2,388,852 at December 31, 2015.

In the fund statements only, the portion of deferred compensation payable from expendable available resources is reported as an expenditure and liability in the respective fund that will pay it.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

C. DETAILED NOTES ON ALL FUNDS (continued)

10. DEFERRED COMPENSATION (continued)

Future annual installments due for deferred longevity compensation and early retirement incentive are as follows:

	Longevity Compensation	Retirement Incentive
Years ending December 31, 2016	\$ 3,350	\$ 811,895
2017	98,100	818,374
2018	107,300	700,833
2019	115,100	38,208
2020	19,542	19,542
	<u>\$ 323,850</u>	<u>\$ 2,388,852</u>

D. COMMITMENTS AND CONTINGENCIES

1. RISK MANAGEMENT

In common with other municipalities, the Town receives numerous notices of claims. The Town self-insures for general and auto liability up to a maximum of \$1,000,000 per claim. Claims in excess of \$1,000,000 are covered under a commercial casualty policy for \$10,000,000 in aggregate for general liability, automobile liability each occurrence and public officials/employment practices liability aggregate. The Town also has an excess liability policy of \$25,000,000 over and above the first \$10,000,000 of excess coverage.

The Town of Brookhaven also self-insures for workers compensation. With the changes that have taken place in the excess market for workers compensation resulting in significant premium increases, rising self-insured retention limits and a reduction in the availability of excess insurance the Town has elected to purchase an excess insurance program that is based on cash flow for each year of the claim. The retention limits and premium cost for traditional workers compensation excess insurance were far too high to make the purchase of a traditional excess policy financially responsible. Under these programs there is no self-insured limit and total claim payment cap of \$25 million on a per occurrence basis. They provide maximum cash flow payments on any one claim based on the year of the claim capping the Town to a maximum payment each year. Under this program the payment cap for the first year of the claim is \$350,000 the second year is \$275,000 and the third and all subsequent years is \$200,000. The premium for this policy is significantly lower than the quotes provided for traditional excess insurance and the likelihood of collected under this program in the event of a major loss is much higher than under the traditional workers compensation excess insurance given the retention limit and premium cost of those policies.

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

Although the eventual outcome of these claims cannot presently be determined, the Town has estimated unsettled claims and litigation as of December 31, 2015 to be \$24,888,143. As of December 31, 2015 the Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

D. COMMITMENTS AND CONTINGENCIES (continued)

1. RISK MANAGEMENT (continued)

The Town estimates its liability for workers' compensation and general liability and automobile claims by consulting with legal counsel and past experience with similar claims. Claim liabilities also include specific, incremental claim adjustment expenses. As of December 31, 2015 the Town has not purchased any annuity contracts with regard to its workers' compensation or general liability claims. The schedule below presents the changes in claims liabilities for the past two years for workers' compensation and general and auto liability.

	Workers' Compensation		General and Auto Liability	
	2015	2014	2015	2014
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 17,845,242	\$ 17,553,273	\$ 11,259,964	\$ 4,588,600
Provision for insured events of the current year and changes in provision for insured events of prior years	3,468,173	4,180,681	4,893,135	7,955,451
Less claims and claim adjustment expenditures attributable to insured events of the current and prior years	<u>3,632,869</u>	<u>3,888,712</u>	<u>8,945,502</u>	<u>1,284,087</u>
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 17,680,546</u>	<u>\$ 17,845,242</u>	<u>\$ 7,207,597</u>	<u>\$ 11,259,964</u>
Current portion	\$ 3,322,237	\$ 3,530,997	\$ 2,979,950	\$ 1,339,638
Long-term portion	\$ 14,358,309	\$ 14,314,245	\$ 4,227,647	\$ 9,920,326

2. LITIGATION

Zoning Litigation

The Town is involved in two protracted lawsuits regarding the re-zoning of two vacant land parcels from J-2 Business to B-1 Residential which have resulted in numerous motions, two trials, and various appeals, including the reversal of one of the trials. On May 7, 2010, a judgment was entered against the Town in the amount of \$6,425,752. In February 2012, Appellate Division Second Department severed one cause of action for a new trial but affirmed the judgment, however decreased the settlement to \$5,692,134. The settlement was paid in November 2012. The Town is pursuing a retrial of the other cause.

Tax Certiorari Proceedings

At December 31, 2015, there were numerous claims by taxpayers' requesting a revision of assessed valuations (certiorari proceedings) for assessments through 2015. These claims are the result of petitioners' complaints that their assessed property valuations are improper in that they represent overvaluation and unequal treatment. Under the Suffolk County Tax Act and the New York State Real Property Tax Law, any court ordered reductions to petitioners' assessments which result in a refund of prior years' taxes are paid by Suffolk County (the "County"), and charged back to the taxpayers of the Town in ensuing years. Reductions in petitioners' assessments will reduce the available property base upon which future tax levies are made. The ultimate outcome of these cannot be determined at this time.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

D. COMMITMENTS AND CONTINGENCIES

2. LITIGATION (continued)

Other Litigation

The Town is subject to a number of other lawsuits in the ordinary conduct of its affairs. The Town does not believe however, that such other suits, individually or in the aggregate, are likely to have a materially adverse effect on the financial condition of the Town. The Town has determined that in recent years all litigation against the Town has been settled within budgetary appropriates for such purposes, and within available insurance coverage. The Town is a self-insured entity, with retention of the first \$1.0 million for any loss and maintains an excess policy of \$10.0 million and a further excess policy of \$25.0 million over and above the first \$10.0 million of excess coverage. Additionally, there are a number of pending lawsuits seeking monetary damages against the Town that have been referred to and are being handled by the Town's insurance carriers.

3. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that each landfill stops accepting waste the Town is required to report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$34,708,726 as of December 31, 2015, which is based on 100% of capacity of the landfill for Cells one through five and approximately 57% for Cell six. Cells one through five were closed and capped in previous years.

It is estimated that an additional \$22,000,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated remaining life of the landfill is 8 -10 years. The estimated total current costs of the closure and postclosure care costs is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2015. Actual costs may change due to inflation, changes in technology, or changes in landfill laws and regulations. The majority of the closure and post-closure care costs will be funded through the issuance of bonds and surplus earnings in the General Fund. The Town complies with State and Federal laws requirements for owners to demonstrate financial assurance for closure and postclosure, and/or correction action (if applicable). The Town has established a fund balance reserve restricted for the purpose of funding the a portion of the landfill's postclosure care costs. At December 31, 2015 the balance in this reserve is \$3,259,942.

The landfill closure and postclosure care costs liability has been calculated using certain assumptions and methodologies which have been deemed acceptable by the New York State Department of Environmental Control for the year ended December 31, 2014.

4. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress, commitments for equipment purchases and other capital acquisition commitments amounting to \$9,465,950 have been recorded as encumbrances in the capital projects fund and are included in the restricted component of fund balance.

Pursuant to a legal settlement, the Town agreed to purchase 142 acres of land for open space over a 5 year period through 2019. As of December 31, 2015, the remaining outstanding commitment is \$5,600,000. Expenditures will be recognized as title is transferred to the Town.

5. LETTER OF CREDIT

The Town has an outstanding standby letter of credit with a bank in the amount of \$50,000 as of December 31, 2015 as a requirement under its insurance policy.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

D. COMMITMENTS AND CONTINGENCIES (continued)

6. POLLUTION REMEDIATION OBLIGATIONS

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

Obligating events include the following:

The Town:

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

Pollution remediation activity includes costs relating to removing contaminants in ground water resulting from landfill leachate runoff into the ground water. The estimated liability includes costs for draining the contaminated pond water, lining the pond and refilling it. At December 31, 2015, the Town has recorded pollution remediation obligation of approximately \$990,589 of which the entire amount is estimated to be due within one year. The liability was based on current environmental regulations and engineering reports developed from outside consultants. During the course of any of the Town's pollution remediation projects, additional information found through soil/water sampling could adversely affect duration and costs if additional contaminants are found. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

7. TRASH FOR ASH

On September 16, 2014, the Town of Brookhaven amended and restated its Municipal Solid Waste and Ash Disposal Agreement with the Covanta Hempstead Company. Under the terms of the amended and restated agreement, the Town will dispose of approximately 170,000 tons of municipal solid waste (MSW) which will be incinerated at the Covanta Hempstead Waste-to-Energy Facility. As part of this agreement the Town of Brookhaven will also receive approximately 230,000 tons of ash at the Brookhaven Landfill. Under this Agreement, the fees for both the disposal of ash and MSW are on a per ton basis.

8. LEASE COMMITMENTS AND LEASED ASSETS

Operating Leases

The Town leases real property and equipment under various leases and on an as basis needed. Total rental expenditures for all funds, with the exception of those of the Highway Funds, were approximately \$298,000 for the year ended December 31, 2015. Total rental expenditures for the Highway Funds were approximately \$7,441,934 for the year ended December 31, 2015. Minimum future rental commitments under non-cancelable leases are not material as most leases operate on a month-to-month basis or for a period of one year or less and the Highway Fund rents equipment for snow removal on an as needed basis.

9. CONTINGENT LIABILITIES

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

D. COMMITMENTS AND CONTINGENCIES (continued)

10. LENGTH OF SERVICE AWARD PROGRAM

The Town of Brookhaven sponsors various Volunteer Ambulance Workers' Service Award Programs (the "Plans"): East Moriches, Manorville, Mastic Beach, Shirley, Medford, South Country, and Mastic. All plans are single-employer defined benefit plans covering the Town's volunteer ambulance workers. The Plan is administered by Penflex, Inc. with all provisions and amendments subject to approval of the Town Board. None of the service award programs issue separate audit reports.

The Plan is established under New York State Law, Article 11AAA. The Plan is non-contributory and the Town is required to contribute to the plan trust the total amount sufficient to cover the normal cost of the plan.

Any volunteer ambulance worker who is 18 years of age and has provided one year of service is eligible to participate. The ambulance worker who has completed five years of ambulance service and attains age 65 is eligible for normal retirement benefits. The amount of the retirement income payable to a volunteer ambulance worker eligible for normal retirement benefits is equal to \$240 multiplied by the total years of service, which is not to exceed 40 years. The benefits to ambulance workers are limited to the available assets of the Trust.

Contributions are determined based on an annual actuarial calculation. The required contribution for the Plans consists of two components. The first component is the annual prior service cost which equals the level annual payment required to fund over the prior service funding period, the portion of the current participants' projected benefits at entitlement age which is based on the service credit ambulance workers earned before the effective date of the Service Award Program. The second component is the "normal cost," which is equal to the level annual payment required to fund the portion of the current participants' projected benefits based on their service credit earned after the effective date of the Service Award program.

Total assets available for Service Award Program benefits totaled \$5,479,321 at December 31, 2015 and trustee and administrative expenses totaled \$45,497 for the year ended December 31, 2015.

Plan financial condition as of and for the year ended December 31, 2015 is as follows:

	East Moriches	Manorville	Mastic	Mastic Beach	Medford	Port Jefferson	Shirley	South Country
Date of Latest Actuarial Valuation	Unavailable*	12/31/2014	12/31/2014	12/31/2014	12/31/2014	12/31/2014	12/31/2014	12/31/2014
Per Most Recent Actuarial Valuation of								
Dated December 31, 2014								
Actuarial present value of accrued benefits		\$ 355,200	\$ 417,598	\$ 371,604	\$ 1,021,876	\$ 270,370	\$ 439,917	\$ 777,939
Less: assets available for benefits		582,693	769,995	567,801	1,168,543	(8,160)	617,137	1,061,423
Unfunded (overfunded) normal benefits		<u>\$ (227,493)</u>	<u>\$ (352,397)</u>	<u>\$ (196,197)</u>	<u>\$ (146,667)</u>	<u>\$ 278,530</u>	<u>\$ (177,220)</u>	<u>\$ (283,484)</u>
Annual Required Contribution for 2015		\$ 6,197	\$ -	\$ 36,544	\$ 55,856	\$ 76,718	\$ 30,983	\$ 46,577
As of and for the Year Ended December 31, 2015								
Assets Available for Benefits								
Share of Consolidated Trust Fund	\$ 367,235	\$ 583,830	\$ 746,967	\$ 560,092	\$ 1,197,630	\$ 199,725	\$ 644,163	\$ 1,081,164
Contributions receivable	41,234			36,544		24,407		
Trustee expense payable						(4,270)		
Total Assets Available for Benefits	<u>\$ 408,469</u>	<u>\$ 583,830</u>	<u>\$ 746,967</u>	<u>\$ 597,236</u>	<u>\$ 1,197,630</u>	<u>\$ 219,862</u>	<u>\$ 644,163</u>	<u>\$ 1,081,164</u>
Receipts and Disbursements								
Plan Assets, beginning of year	\$ 375,053	\$ 582,693	\$ 769,995	\$ 567,801	\$ 1,168,543	\$ (8,160)	\$ 617,137	\$ 1,061,423
Plan contributions	41,234	6,187		36,544	65,656	240,579	30,983	47,577
Investment income earned	6,029	9,519	12,556	9,054	18,683	758	9,966	17,300
Other receipts								
Plan benefit withdrawals		(8,480)	(24,597)	(3,311)	(34,070)	(8,843)	(7,000)	(35,080)
Trustee and administrative fees	(13,847)	(6,889)	(10,987)	(12,852)	(10,582)	(4,270)	(5,923)	(10,056)
Plan assets, end of year	<u>\$ 408,469</u>	<u>\$ 583,830</u>	<u>\$ 746,967</u>	<u>\$ 597,236</u>	<u>\$ 1,197,630</u>	<u>\$ 219,862</u>	<u>\$ 644,163</u>	<u>\$ 1,081,164</u>
Effective date of defined benefit plan investment return rate	Unavailable	1/1/2000	1/1/2000	Unavailable	12/31/2000	1/1/2008	1/1/2000	1/1/2000
	Unavailable	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Administration Fees								
Paid to Plan Administrator by:								
Sponsor	\$ 1,966	\$ 3,175	\$ 7,206	\$ 10,010	\$ 4,869	\$ -	\$ 3,775	\$ 4,705
Paid to Trustee	\$ 1,881	\$ 2,914	\$ 3,781	\$ 2,842	\$ 5,922	\$ 4,270	\$ 3,148	\$ 5,350

* Pending receipt of actuarial valuation from the third party pension administrator

** Funding is shared among 3 municipalities, the Town's share is 51%

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

D. COMMITMENTS AND CONTINGENCIES (continued)

11. SERVICE CONCESSION ARRANGEMENTS

During 2015, the Town entered into a fifteen year agreement with a third party to operate and collect user fees from the Davis Park Marina. The third party will pay the Town an annual licensing fee of \$115,000 and fifty percent of the gross revenues in excess of \$500,000. During the term of the agreement, the Town reports the Davis Park Marina as a capital asset. At December 31, 2015, the Town reports a receivable and deferred inflow of resources in the government-wide statements in the amount of \$1,610,000.

E. CUMMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, and amendment to GASB 68*. The implementation of Statement No. 68 and No. 71 resulted in the retroactive reporting of deferred outflows of resources and a liability to the Town's participation in the NYSLRS.

As a result, the Town's January 1, 2015 governmental activities net position was decreased by \$4,175,537 as follows:

Net Position, as originally reported	\$ 452,811,402
Net pension liability	(11,748,347)
Deferred outflows of resources for contributions made subsequent to the measurement date	<u>7,572,810</u>
Net Position, as restated	<u>\$ 448,635,865</u>

F. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date of the financial statements. No significant events were identified that would require adjustment or disclosure in the financial statements.

G. NEW PRONOUNCEMENTS

The following statements have been issued by the GASB and are to be implemented future years:

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

G. NEW PRONOUNCEMENTS (continued)

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

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

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

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

The Town is currently evaluating the impact of the aforementioned GASB Statements on its financial statements.

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects and Special Grant Funds are budgeted on a project or grant basis. The Reserve Escrow Funds, the Sidewalk Districts and certain individual districts within the Ambulance, Fire Protection, and Water Districts do not have annually adopted budgets.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 21,226,870	\$ 21,226,870	\$ 21,226,870	\$ -
Total Real Property Taxes	21,226,870	21,226,870	21,226,870	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	302,000	302,000	485,953	183,953
Interest and penalties on real property taxes	650,000	650,000	721,228	71,228
Total Other Real Property Tax Items	952,000	952,000	1,207,181	255,181
NON-PROPERTY TAX ITEMS				
Franchise taxes	7,800,000	7,800,000	8,261,420	461,420
Total Non-Property Tax Items	7,800,000	7,800,000	8,261,420	461,420
DEPARTMENTAL INCOME				
Assessor's fees	375,000	375,000	435,475	60,475
Town clerk fees	35,950	35,950	37,343	1,393
Attorney fees	355,075	355,075	532,097	177,022
Other general departmental income			400	400
Public pound charges	30,000	30,000	59,903	29,903
Other public safety	130,000	130,000	129,160	(840)
Charges - Programs for the Aging	36,000	36,000	30,663	(5,337)
Park and recreational charges	2,111,685	2,149,185	2,441,338	292,153
Recreation concessions	110,000	110,000	57,019	(52,981)
Special recreational facility charges	2,198,720	2,223,593	2,136,844	(86,749)
Other culture and recreation	112,405	129,769	156,067	26,298
Landfill and recycling charges	45,893,000	45,893,000	49,714,365	3,821,365
Zoning fees	40,000	40,000	236,961	196,961
Environmental conservation	75,000	75,000	122,109	47,109
Small Business Advisory Council fees	5,000	6,002	15,475	9,473
Other home and community	101,000	321,000	367,742	46,742
Total Departmental Income	51,608,835	51,909,574	56,472,961	4,563,387
INTERGOVERNMENTAL CHARGES				
Landfill fees	7,000,000	7,000,000	7,910,078	910,078
Total Intergovernmental Charges	7,000,000	7,000,000	7,910,078	910,078
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	75,000	75,000	130,234	55,234
Rental of real property	3,968,000	3,968,000	4,073,022	105,022
Rental of equipment			845	845
Rental of equipment - other governments	266,364	266,364	266,364	
Rental - other	18,030	18,030	15,060	(2,970)
Total Use of Money and Property	4,327,394	4,327,394	4,485,525	158,131
LICENSES AND PERMITS				
Business and occupational licenses	82,410	82,410	79,460	(2,950)
Games of chance	450	450	390	(60)
Bingo license	35,000	35,000	38,923	3,923
Dog licenses	38,000	38,000	35,924	(2,076)
Other licenses and permits	90,100	90,100	101,620	11,520
Total Licenses and Permits	245,960	245,960	256,317	10,357

(continued)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
FINE AND FORFEITURES				
Fines and forfeited bail			1,000	1,000
Abandoned car storage and redemption	130,000	130,000	108,078	(21,922)
Abandoned car auctions	60,000	60,000	81,658	21,658
Total Fines and Forfeitures	190,000	190,000	190,736	736
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales, recycling	45,000	45,000	29,905	(15,095)
Sales, other	44,700	44,700	66,714	22,014
Sales of real property	1,750,000	1,750,000	2,248,000	498,000
Sales of equipment	15,000	15,000	149,435	134,435
Insurance recoveries	30,000	30,000	36,909	6,909
Other compensation for loss	1,310,294	1,345,294	1,456,321	111,027
Total Sale of Property and Compensation for Loss	3,194,994	3,229,994	3,987,284	757,290
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			254,612	254,612
Grants from local governments	711,949	740,949	738,250	(2,699)
Gifts and donations	65,500	65,500	87,452	21,952
Other miscellaneous revenue	169,366	169,366	23,452	(145,914)
Total Miscellaneous Local Sources	946,815	975,815	1,103,766	127,951
INTERFUND REVENUES				
Interfund revenue	3,508,961	3,508,830	3,276,130	(232,700)
Total Interfund Revenue	3,508,961	3,508,830	3,276,130	(232,700)
STATE AID				
Mortgage tax	10,600,000	10,600,000	10,729,260	129,260
Other general government	1,080	1,080	37,382	36,302
Youth programs	415,715	415,715	435,100	19,385
Public safety grant	7,000	7,000		(7,000)
Emergency disaster assistance grant			5,253	5,253
Home and community grant		5,000	270,558	265,558
Total State Aid	11,023,795	11,028,795	11,477,553	448,758
FEDERAL AID				
Nutrition program for the aging	755,964	755,964	427,941	(328,023)
Other federal aid	253,564	253,564	231,658	(21,906)
Emergency disaster assistance grant			13,428	13,428
Other home and community service	24,111	24,111	18,810	(5,301)
Total Federal Aid	1,033,639	1,033,639	691,837	(341,802)
Total Revenues	\$ 113,059,263	\$ 113,428,871	\$ 120,547,658	\$ 7,118,787

(continued)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
CURRENT:				
GENERAL GOVERNMENT SUPPORT				
Town council office	\$ 1,823,389	\$ 1,820,022	\$ 1,700,291	\$ 119,731
Supervisor's office	911,006	906,614	885,340	21,274
451 call center	493,904	491,253	466,674	24,579
Comptroller	3,044,830	2,991,258	2,790,936	200,322
Tax receiver	1,721,439	1,705,583	1,626,537	79,046
Purchasing	814,036	781,475	735,887	25,588
Assessor	3,674,702	3,658,199	3,523,094	135,105
Board of assessment review	35,005	35,005	33,149	1,856
Town clerk	1,766,998	1,749,135	1,634,487	114,648
Town attorney	3,982,474	4,430,853	4,360,613	70,240
Personnel	979,214	957,770	941,487	16,283
Board of ethics	34,697	34,827	34,827	
Public information	667,724	687,746	675,949	11,797
Buildings and grounds	943,171	759,860	733,824	26,036
Vehicle control	2,800,901	2,736,484	2,278,628	457,856
Central communication system	155,000	105,000	80,528	24,472
Central reproduction and mailing	825,885	814,804	745,444	69,360
Information technology	4,853,295	4,847,925	4,698,629	149,296
Unallocated insurance and judgments and claims	3,388,270	5,453,363	5,443,894	9,469
Land settlement judgment		5,000,000	5,000,000	
Taxes and assessments on municipal property	35,327	36,327	32,484	3,843
Other general government support	6,760,624	7,377,525	6,265,008	1,112,517
Total General Government Support	39,711,891	47,361,028	44,687,710	2,673,318
PUBLIC SAFETY				
Public safety administration	712,706	685,516	610,316	75,200
Animal shelter	2,471,218	2,469,517	2,255,133	214,384
Harbors and waterways	756,458	764,401	739,239	25,162
Total Public Safety	3,940,382	3,919,434	3,604,688	314,746
TRANSPORTATION				
Highway administration	1,972,475	1,927,567	1,885,282	42,285
Total Transportation	1,972,475	1,927,567	1,885,282	42,285
ECONOMIC ASSISTANCE AND OPPORTUNITY				
Economic development	323,071	323,341	256,729	66,612
Veterans services	45,250	52,650	37,090	15,560
Programs for the aging	1,672,158	1,636,355	1,435,560	200,795
Total Economic Assistance And Opportunity	2,040,479	2,012,346	1,729,379	282,967

(continued)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
CULTURE AND RECREATION				
Parks and recreation administration	795,666	762,283	734,268	28,015
Parks division	13,145,589	13,191,517	12,936,662	254,855
Recreation centers	701,658	633,746	597,207	36,539
Beaches and pools facilities	1,879,284	1,981,376	1,961,442	19,934
Marina and dock facilities	1,041,821	1,122,311	1,100,974	21,337
Youth programs	804,953	782,578	763,230	19,348
Youth bureau	1,578,757	1,635,377	1,595,694	39,683
Historian	50,596	50,596	49,362	1,234
Adult recreation programs	191,704	168,426	165,280	3,146
Ecology center	626,899	645,087	625,058	20,029
Programs for the disabled	185,306	191,213	183,545	7,668
Total Culture and Recreation	21,002,223	21,164,510	20,712,722	451,788
HOME AND COMMUNITY SERVICES				
Environmental protection	1,077,260	1,133,085	1,083,581	49,504
Refuse and garbage	13,026,116	12,779,175	12,329,379	449,796
Code enforcement	215,563	215,262	169,199	46,063
Community development administration	453,618	483,537	399,895	83,642
Women services	97,924	97,426	94,064	3,362
Total Home and Community Services	14,870,481	14,708,485	14,076,118	632,367
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		3,669,721	3,667,985	1,736
Social security	66,558	77,880	75,371	2,509
Workers' compensation	2,745,000	2,693,020	2,467,398	225,622
Life insurance	56,055	56,055	52,614	3,441
Unemployment benefits	525,000	292,445	163,069	129,376
Hospital, medical and dental- retirees	5,483,406	5,517,027	5,369,254	147,773
Other employee benefits	18,958	18,461	17,275	1,186
Total Employee Benefits	8,894,977	12,324,609	11,812,966	511,643
Total Current	92,432,908	103,417,979	98,508,865	4,909,114
DEBT SERVICE				
Principal				
Debt principal - installment purchase debt	93,900	94,487	94,487	
Interest				
Bond anticipation notes	50,000	50,000		50,000
Debt interest - installment purchase debt	2,625	2,625	1,656	969
Total Debt Service	146,525	147,112	96,143	50,969
Total Expenditures	92,579,433	103,565,091	98,605,008	4,960,083
Excess of Revenues Over Expenditures	20,479,830	9,863,780	21,942,650	12,078,870
OTHER FINANCING SOURCES (USES)				
Transfers in	795,000	1,098,913	1,098,913	
Proceeds of debt:				
Serial bonds		5,000,000	5,000,000	
Premium and accrued interest on obligations			2,418,109	2,418,109
Transfers out	(25,375,748)	(25,763,788)	(25,748,187)	15,601
Total Other Financing Sources (Uses)	(24,580,748)	(19,664,875)	(17,231,165)	2,433,710
Net Change in Fund Balance*	\$ (4,100,918)	\$ (9,801,095)	4,711,485	\$ 14,512,580
Fund Balance at Beginning of Year			48,454,960	
Fund Balance at End of Year			\$ 53,166,445	
*Budgeted net change in fund balance:				
Restricted - debt service	\$ 1,000,000			
Assigned	3,100,918			
	\$ 4,100,918			

TOWN OF BROOKHAVEN
TOWN OUTSIDE VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 7,959,262	\$ 7,959,262	\$ 7,959,262	\$ -
Total Real Property Taxes	7,959,262	7,959,262	7,959,262	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	10,000	10,000	10,642	642
Interest and penalties on real property taxes	250	250	133	(117)
Total Other Real Property Tax Items	10,250	10,250	10,775	525
DEPARTMENTAL INCOME				
Safety inspection fees	4,726,720	4,772,974	5,317,690	544,716
Charges for demolition on unsafe buildings	550,000	962,064	1,004,845	42,781
Public health fees	255,000	255,000	286,962	31,962
Zoning fees	910,000	910,000	942,637	32,637
Planning division fees	1,226,900	1,226,900	2,182,404	955,504
Other home and community	141,000	141,000	121,371	(19,629)
Total Departmental Income	7,809,620	8,267,938	9,855,909	1,587,971
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	8,000	8,000	21,407	13,407
Total Use of Money and Property	8,000	8,000	21,407	13,407
LICENSES AND PERMITS				
Taxi cab and towing licenses	98,650	98,650	65,541	(33,109)
Total Licenses and Permits	98,650	98,650	65,541	(33,109)
FINES AND FORFEITURES				
Parking violation fines and handicap surcharge			975	975
Other fines	855,000	855,000	598,750	(256,250)
Total Fines and Forfeitures	855,000	855,000	599,725	(255,275)
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			26,620	26,620
Other miscellaneous revenue	112,000	112,000	353,120	241,120
Total Miscellaneous Local Sources	112,000	112,000	379,740	267,740
STATE AID				
Revenue sharing - per capita	1,808,932	1,808,932	1,808,932	-
Total State Aid	1,808,932	1,808,932	1,808,932	-
FEDERAL AID				
Other federal aid			1,864	1,864
Total Federal Aid	-	-	1,864	1,864
Total Revenues	\$ 18,661,714	\$ 19,120,032	\$ 20,703,155	\$ 1,583,123

(continued)

TOWN OF BROOKHAVEN
TOWN OUTSIDE VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
GENERAL GOVERNMENT SUPPORT				
Other general government support	\$ 2,481,602	\$ 2,479,907	\$ 2,397,950	\$ 81,957
Total General Government Support	2,481,602	2,479,907	2,397,950	81,957
PUBLIC SAFETY				
Buildings division	4,641,714	4,810,837	4,587,711	223,126
Fire marshals	2,523,727	2,608,786	2,506,716	102,070
Demolition of unsafe buildings	689,984	1,139,925	1,103,235	36,690
Traffic safety	1,029,144	1,037,180	1,032,590	4,590
Parking violations bureau	61,737	67,077	61,812	5,265
Investigators	1,426,975	1,572,670	1,514,371	58,299
Total Public Safety	10,373,281	11,236,475	10,806,435	430,040
HEALTH				
Registrar of vital statistics	474,626	474,210	460,692	13,518
Total Health	474,626	474,210	460,692	13,518
HOME AND COMMUNITY SERVICES				
Zoning Board	928,227	997,002	942,001	55,001
Planning	3,385,953	3,224,561	3,092,499	132,062
Accessory apartment review board	30,932	30,932	30,654	278
Total Home and Community Services	4,345,112	4,252,495	4,065,154	187,341
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		936,389	936,389	
Social security	7,038	8,951	8,951	
Workers' compensation	121,435	180,058	170,763	9,295
Life Insurance	10,590	10,590	9,454	1,136
Unemployment benefits	10,000	4,848		4,848
Hospital, medical and dental- retirees	937,544	1,000,228	968,741	31,487
Total Employee Benefits	1,086,607	2,141,064	2,094,298	46,766
Total Current	18,761,228	20,584,151	19,824,529	759,622
DEBT SERVICE				
Interest				
Bond anticipation notes	5,000	5,000		5,000
Total Debt Service	5,000	5,000	-	5,000
Total Expenditures	18,766,228	20,589,151	19,824,529	764,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,514)	(1,469,119)	878,626	2,347,745
OTHER FINANCING SOURCES (USES)				
Premium and accrued interest on obligations			94,981	94,981
Transfers in		40,835	40,835	
Transfers out	(345,486)	(395,485)	(395,485)	
Total Other Financing Sources (Uses)	(345,486)	(354,650)	(259,669)	94,981
Net Change in Fund Balance*	\$ (450,000)	\$ (1,823,769)	618,957	\$ 2,442,726
Fund Balance at Beginning of Year			5,396,639	
Fund Balance at End of Year			\$ 6,015,596	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 50,000			
Assigned	400,000			
	\$ 450,000			

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 56,163,119	\$ 56,163,119	\$ 56,163,119	\$ -
Snow recovery	7,000,000	7,000,000	7,000,000	-
Total Real Property Taxes	63,163,119	63,163,119	63,163,119	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	650,000	650,000	812,744	162,744
Interest and penalties on real property taxes	2,399	2,399	1,057	(1,342)
Total Other Real Property Tax Items	652,399	652,399	813,801	161,402
DEPARTMENTAL INCOME				
Other transportation departmental income	43,500	42,000	74,199	32,199
Total Departmental Income	43,500	42,000	74,199	32,199
INTERGOVERNMENTAL CHARGES				
Highway services	55,000	206,500	332,405	125,905
Total Intergovernmental Charges	55,000	206,500	332,405	125,905
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	90,000	90,000	95,412	5,412
Total Use of Money and Property	90,000	90,000	95,412	5,412
LICENSES AND PERMITS				
Other licenses and permits	225,000	225,000	429,064	204,064
Total Licenses and Permits	225,000	225,000	429,064	204,064
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales of equipment	80,000	80,000	105,977	25,977
Insurance recoveries		19,367	35,077	15,710
Total Sale of Property and Compensation for Loss	80,000	99,367	141,054	41,687
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			159,287	159,287
Total Miscellaneous Local Sources	-	-	159,287	159,287
INTERFUND REVENUES				
Interfund revenue			95,571	95,571
Total Interfund Revenue	-	-	95,571	95,571
STATE AID				
Consolidated highway aid	3,440,980	3,942,551	3,585,750	(356,801)
Other public safety grants	21,036	21,036	8,789	(12,247)
Emergency disaster assistance grant		656,660	656,660	
Total State Aid	3,462,016	4,620,247	4,251,199	(369,048)
FEDERAL AID				
Emergency disaster assistance grant			48,270	48,270
Other federal aid	180,184	180,184	341,872	161,688
Total Federal Aid	180,184	180,184	390,142	209,958
Total Revenues	\$ 67,951,218	\$ 69,278,816	\$ 69,945,253	\$ 666,437

(continued)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
TRANSPORTATION				
Maintenance of streets	\$ 27,286,374	\$ 25,859,772	\$ 24,836,680	\$ 1,023,092
Permanent Improvements	3,765,480	2,850,205	2,801,445	48,760
Machinery - highway	4,255,941	5,524,868	4,810,515	714,353
Traffic safety	2,382,875	2,357,875	2,202,478	155,397
Snow removal	3,673,125	12,312,113	11,945,251	366,862
Other transportation	3,101,629	3,004,963	2,836,776	168,187
Total Transportation	44,465,424	51,909,796	49,433,145	2,476,651
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		1,700,007	1,700,007	
Social security	20,273	28,752	28,752	
Workers' compensation	1,115,795	1,482,451	1,373,264	109,187
Life insurance	28,000	27,836	27,501	335
Unemployment benefits	26,000	25,281		25,281
Hospital, medical and dental- retirees	2,844,556	2,825,744	2,818,829	6,915
Other employee benefits	250	250		250
Total Employee Benefits	4,034,874	6,090,321	5,948,353	141,968
Total Current	48,500,298	58,000,117	55,381,498	2,618,619
DEBT SERVICE				
Bond anticipation notes	75,000	75,000		75,000
Total Debt Service	75,000	75,000		75,000
Total Expenditures	48,575,298	58,075,117	55,381,498	2,693,619
Excess of Revenues Over Expenditures	19,375,920	11,203,699	14,583,755	3,360,056
OTHER FINANCING SOURCES (USES)				
Premium and accrued interest on obligations			2,243,862	2,243,862
Transfers in		160,775	160,775	
Transfers out	(22,475,920)	(22,844,130)	(22,812,042)	32,088
Total Other Financing Sources (Uses)	(22,475,920)	(22,683,355)	(20,407,405)	2,275,950
Net Change in Fund Balance*	\$ (3,100,000)	\$ (11,479,656)	(5,843,650)	\$ 5,636,006
Fund Balance at Beginning of Year			23,075,288	
Fund Balance at End of Year			\$ 17,231,638	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 300,000			
Assigned	2,800,000			
	\$ 3,100,000			

TOWN OF BROOKHAVEN
REFUSE AND GARBAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 41,471,190	\$ 41,471,190	\$ 41,472,785	\$ 1,595
Total Real Property Taxes	41,471,190	41,471,190	41,472,785	1,595
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	1,200	1,200	694	(506)
Total Other Real Property Tax Items	1,200	1,200	694	(506)
DEPARTMENTAL INCOME				
MRF recycling	500,000	500,000	502,479	2,479
Cleanup of premises	300,000	300,000	346,631	46,631
Total Departmental Income	800,000	800,000	849,110	49,110
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	55,000	55,000	71,757	16,757
Total Use of Money and Property	55,000	55,000	71,757	16,757
FINE AND FORFEITURES				
Fines and forfeited bail	30,000	30,000	24,300	(5,700)
Total Fines and Forfeitures	30,000	30,000	24,300	(5,700)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales, scrap and excess materials	5,000	5,000	6,711	1,711
Total Sale of Property and Compensation for Loss	5,000	5,000	6,711	1,711
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations			2,000	2,000
Total Miscellaneous Local Sources	-	-	2,000	2,000
STATE AID				
Recycling grant			44,898	44,898
Total State Aid	-	-	44,898	44,898
Total Revenues	42,362,390	42,362,390	42,472,255	109,865
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	42,974,562	43,536,222	42,092,130	1,444,092
Total Home and Community Services	42,974,562	43,536,222	42,092,130	1,444,092
Total Expenditures	42,974,562	43,536,222	42,092,130	1,444,092
Net Change In Fund Balance	\$ (612,172)	\$ (1,173,832)	380,125	\$ 1,553,957
Fund Balance at Beginning of Year			9,259,795	
Fund Balance at End of Year			\$ 9,639,920	

TOWN OF BROOKHAVEN
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2015	\$ -0-	\$ 354,815,252	\$ 354,815,252	0.00%	\$ 69,526,032	510.33%
1/1/2013	\$ -0-	\$ 313,443,062	\$ 313,443,062	0.00%	\$ 68,519,018	457.45%
1/1/2011	\$ -0-	\$ 281,485,326	\$ 281,485,326	0.00%	\$ 71,498,121	393.70%

Summary of Changes in Actuarial Assumptions:

January 1, 2015 Actuarial Valuation

- Healthcare cost trend for non-medicare plans was reset to 9.0%, granding down 1% per annum to an ultimate rate of 5.0% in 2019	\$ (15,630,140)
- Mortality projection scale was updated to reflect an MP 2014 projection scale	<u>27,173,426</u>
Net impact of changes on the Actuarial Accrued Liability	<u>\$ 11,543,286</u>

TOWN OF BROOKHAVEN
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
December 31, 2015

	March 31,	
	2015	2014
Town's proportion of the net pension liability (asset)	0.2599848%	0.2599848%
Town's proportionate share of the net pension liability (asset)	\$ 8,782,921	\$ 11,748,347
Covered payroll	\$ 62,039,687	\$ 67,129,070
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.16%	17.50%
Plan fiduciary net position as a percentage of total pension liability	97.95%	97.20%

Note - amounts presented were determined as of the System's measurement date of March 31st

TOWN OF BROOKHAVEN
SCHEDULE OF PENSION CONTRIBUTIONS
December 31, 2015

<u>Years Ended December 31,</u>	<u>Contractually required contributions</u>	<u>Contributions recognized by the plan in relation to the contractually required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
2015	\$ 11,287,405	\$ 11,287,405	\$ -	\$ 62,850,953	17.91%
2014	11,507,519	11,507,519		62,039,687	2.23%
2013	13,211,365	11,085,635	2,125,730	67,129,070	20.86%
2012	11,116,920	7,030,468	4,086,452	65,867,689	17.29%
2011	8,739,756	6,764,299	1,975,457	64,905,345	14.70%
2010	7,327,958	6,502,951	825,007	72,212,044	10.17%
2009	5,401,873	5,401,873		72,657,931	6.83%
2008	5,581,026	5,581,026		67,668,692	8.98%
2007	5,696,485	5,696,485		62,043,561	9.01%
2006	4,993,508	4,993,508		61,678,922	9.17%

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

**OTHER SUPPLEMENTARY
INFORMATION**

Combining and Individual Fund Statements of
Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual
Non-major Special Revenue Funds and
Schedules

TOWN OF BROOKHAVEN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
December 31, 2015

	Special Revenue Funds					Permanent Fund		Total
	Special Grants	Park Reserve Escrow	Highway Reserve Escrow	Drainage Reserve Escrow	Airport	Special Districts	West Meadow Beach Endowment	Non-major Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 2,532,488	\$ 295,125	\$ 1,611,405	\$ 150,233	\$ 336,760	\$ 10,757,017	\$ 1,453,934	\$ 15,683,028
Cash restricted	65,766							1,519,700
Accounts receivable, net of allowance of \$7,507	65,000	7,101			8,384	4,796		85,281
Due from other funds	49,267	1,457						50,724
State and federal aid receivables	522,740							522,740
Loans receivable	418,401				16,498	15,110		418,401
Prepaid charges	39,890							71,498
Total Assets	\$ 3,693,552	\$ 303,683	\$ 1,611,405	\$ 150,233	\$ 361,642	\$ 10,776,923	\$ 1,453,934	\$ 18,351,372
LIABILITIES								
Accounts payable	\$ 499,296	\$ 41			\$ 19,014	\$ 895,677		\$ 1,414,028
Accrued liabilities	89,043				36,796	491,266		617,105
Due to other funds	171,747							171,747
Due to other governments	65,766							65,766
Unearned revenue	418,401							418,401
Total Liabilities	1,244,253	41			55,810	1,386,943		2,687,047
FUND BALANCES								
Nonspendable	39,890				16,498	15,110	\$ 1,453,934	1,525,432
Restricted	2,409,409				7,770	1,064,351		3,471,530
Assigned		303,642	\$ 1,611,405	\$ 150,233	281,584	8,320,519		10,667,363
Total Fund Balances	2,449,299	303,642	1,611,405	150,233	305,832	9,369,980	1,453,934	15,664,325
Total Liabilities and Fund Balances	\$ 3,693,552	\$ 303,683	\$ 1,611,405	\$ 150,233	\$ 361,642	\$ 10,776,923	\$ 1,453,934	\$ 18,351,372

TOWN OF BROOKHAVEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year Ended December 31, 2015

	Special Revenue Funds						Permanent Fund	Total Non-major Governmental Funds
	Special Grants	Park Reserve Escrow	Highway Reserve Escrow	Drainage Reserve Escrow	Airport	Special Districts	West Meadow Beach Endowment	
REVENUES								
Real property taxes						\$ 20,152,723		\$ 20,152,723
Other real property tax items						112,078		112,078
Departmental income	\$ 1,160,312	\$ 81,015	\$ 44,550		\$ 131,515	4,943		1,422,335
Use of money and property	1,248	646	3,964	\$ 377	146,050	116,747	\$ 2,017	271,049
Miscellaneous local sources	137,703					63,378		201,081
State aid						3,179		3,179
Federal aid	14,882,015					128,719		14,810,734
Total Revenues	15,981,278	81,661	48,514	377	277,565	20,581,767	2,017	36,973,179
EXPENDITURES								
Current:								
Public safety						544,491		544,491
Health						10,512,225		10,512,225
Transportation					805,641	5,043,145		5,848,786
Culture and recreation						35,743	389	36,132
Home and community services	15,784,849					2,266,813		18,051,662
Total Expenditures	15,784,849	-	-	-	805,641	18,402,417	389	34,793,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,429	81,661	48,514	377	(328,076)	2,179,350	1,628	2,179,883
OTHER FINANCING (USES)								
Transfers in					405,368	89,904		495,272
Transfers out					(80,480)	(2,169,550)		(2,250,010)
Premiums on obligations					7,750	91,750		99,500
Total Other Financing Sources (Uses)	-	-	-	-	332,638	(1,967,896)	-	(1,555,236)
Net Change in Fund Balances	196,429	81,661	48,514	377	4,592	191,454	1,628	524,645
Fund Balances at Beginning of Year	2,252,870	221,981	1,562,891	149,855	301,250	9,198,526	1,452,306	15,139,660
Fund Balances at End of Year	\$ 2,449,299	\$ 303,642	\$ 1,611,405	\$ 150,233	\$ 305,832	\$ 9,389,980	\$ 1,453,934	\$ 15,664,325

TOWN OF BROOKHAVEN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL SPECIAL DISTRICT FUNDS
December 31, 2015

		Special Revenue Funds											
		Ambulance Districts	Dock Districts	Erosion Control Districts	Fire Protection Districts	Street Lighting District	Park Districts	Refuse and Garbage Districts	Sewer Districts	Sidewalk Districts	Water Districts	Totals	
ASSETS	Cash and cash equivalents	\$ 2,690,190	\$ 481,724	\$ 2,160,047	\$ 155,910	\$ 2,845,866	\$ 102,853	\$ 192,021	\$ 1,155,855	\$ 13,464	\$ 959,087	\$ 10,757,017	
	Accounts receivable	4,796										4,796	
	Prepaid charges		1,392			13,718						15,110	
Total Assets		\$ 2,694,986	\$ 483,116	\$ 2,160,047	\$ 155,910	\$ 2,859,584	\$ 102,853	\$ 192,021	\$ 1,155,855	\$ 13,464	\$ 959,087	\$ 10,776,923	
LIABILITIES AND FUND BALANCES													
LIABILITIES	Accounts payable	\$ 9,897	\$ 17			\$ 766,914	\$ 8,943	\$ 76,766	\$ 33,240		\$ 134,215	\$ 895,677	
	Accrued liabilities	332,617	242			24,192						491,266	
	Total Liabilities	342,514	259	-	-	791,106	8,943	76,766	33,240	-	134,215	1,386,943	
FUND BALANCES	Nonspendable		1,392			13,718						15,110	
	Restricted	545,039		\$ 65,761	\$ 4,986	279,850			47,072		111,643	1,054,351	
	Assigned	1,807,433	481,465	2,094,286	150,924	1,774,910	94,010	115,255	1,075,543	\$ 13,464	713,229	8,320,519	
Total Fund Balances		2,352,472	482,857	2,160,047	155,910	2,068,478	94,010	115,255	1,122,615	13,464	824,872	9,389,980	
Total Liabilities and Fund Balances		\$ 2,694,986	\$ 483,116	\$ 2,160,047	\$ 155,910	\$ 2,859,584	\$ 102,853	\$ 192,021	\$ 1,155,855	\$ 13,464	\$ 959,087	\$ 10,776,923	

TOWN OF BROOKHAVEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL
SPECIAL DISTRICT FUNDS
Year Ended December 31, 2015

	Special Revenue Funds										Totals
	Ambulance Districts	Dock Districts	Erosion Control Districts	Fire Protection Districts	Street Lighting District	Park Districts	Refuse and Garbage Districts	Sewer Districts	Sidewalk Districts	Water Districts	
REVENUES											
Real property taxes	\$ 11,390,789	\$ 290,058	\$ 319,248	\$ 588,328	\$ 4,915,838	\$ 51,000	\$ 1,213,823	\$ 927,330	\$	\$ 458,309	\$ 20,152,723
Other real property tax items	46,013	5	5	10	64,843	1	20	16		1,065	112,078
Departmental income										4,943	4,943
Use of money and property	67,339	22,623	6,793	356	11,917	345	1,192	3,756	\$ 42	2,384	116,747
Miscellaneous local sources		21,500								41,878	63,378
State aid			3,179							3,179	3,179
Federal aid	6,739		104,563	12,398	5,019						128,719
Total Revenues	11,510,880	334,186	433,768	601,092	4,997,717	51,346	1,215,035	931,102	42	506,579	20,561,767
EXPENDITURES											
Current:				544,491							544,491
Public safety	10,512,225				4,913,074	35,743					10,512,225
Health		130,071									5,043,145
Transportation			77,032				1,214,964	370,304			35,743
Culture and recreation		130,071	77,032	544,491	4,913,074	35,743	1,214,964	370,304	-	604,613	2,266,813
Home and community services											18,402,417
Total Expenditures	10,512,225	130,071	77,032	544,491	4,913,074	35,743	1,214,964	370,304	-	604,613	18,402,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	998,655	204,115	356,736	56,601	84,643	15,603	171	560,798	42	(98,034)	2,179,350
OTHER FINANCING (USES)											
Transfers in	12,488			585	29,875			46,958			89,904
Transfers out	(1,259,150)	(169,497)	(70,895)		(203,969)			(463,110)		(2,929)	(2,169,550)
Premiums on obligations	698			4,389	86,663						91,750
Total Other Financing (Uses)	(1,245,964)	(169,497)	(70,895)	4,974	(87,433)	-	-	(416,152)	-	(2,929)	(1,987,896)
Net Change in Fund Balances	(247,309)	34,618	285,861	61,575	(2,790)	15,603	171	144,646	42	(100,963)	191,454
Fund Balances at Beginning of Year	2,599,781	448,239	1,874,186	94,385	2,071,268	78,407	115,084	977,969	13,422	925,835	9,198,526
Fund Balances at End of Year	\$ 2,352,472	\$ 482,857	\$ 2,160,047	\$ 155,910	\$ 2,068,478	\$ 94,010	\$ 115,255	\$ 1,122,615	\$ 13,464	\$ 824,872	\$ 9,389,980

TOWN OF BROOKHAVEN
BROOKHAVEN CALABRO AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
DEPARTMENTAL INCOME				
Airport fees and rental	\$ 115,000	\$ 115,000	\$ 131,515	\$ 16,515
Total Departmental Income	115,000	115,000	131,515	16,515
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	240	240	1,080	840
Rental - other	150,000	150,000	144,970	(5,030)
Total Use of Money and Property	150,240	150,240	146,050	(4,190)
Total Revenues	265,240	265,240	277,565	12,325
EXPENDITURES				
Current:				
TRANSPORTATION				
Airport operations	590,458	621,451	605,641	15,810
Total Airport Operations	590,458	621,451	605,641	15,810
Total Expenditures	590,458	621,451	605,641	15,810
Excess (Deficiency) of Revenues Over (Under) Expenditures	(325,218)	(356,211)	(328,076)	28,135
OTHER FINANCING (USES)				
Premiums			7,750	7,750
Transfers in	405,368	405,368	405,368	
Transfers out	(80,583)	(80,583)	(80,460)	123
Total Other Financing (Uses)	324,785	324,785	332,658	7,873
Net Change in Fund Balances*	\$ (433)	\$ (31,426)	4,582	\$ 36,008
Fund Balances at Beginning of Year			301,250	
Fund Balances at End of Year			\$ 305,832	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 433			
	\$ 433			

TOWN OF BROOKHAVEN
AMBULANCE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 11,390,789	\$ 11,390,789	\$ 11,390,789	\$ -
Total Real Property Taxes	11,390,789	11,390,789	11,390,789	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	38,000	38,000	45,823	7,823
Interest and penalties on real property taxes	464	464	190	(274)
Total Other Real Property Tax Items	38,464	38,464	46,013	7,549
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	7,052	7,052	11,330	4,278
Rental of real property	49,957	49,957	56,009	6,052
Total Use of Money and Property	57,009	57,009	67,339	10,330
FEDERAL AID				
Other federal aid	3,038	3,038	6,739	3,701
Total Federal Aid	3,038	3,038	6,739	3,701
Total Revenues	11,489,300	11,489,300	11,510,880	21,580
EXPENDITURES				
HEALTH				
Ambulance	10,462,522	10,649,896	10,512,225	137,671
Total Current Expenditures	10,462,522	10,649,896	10,512,225	137,671
Total Expenditures	10,462,522	10,649,896	10,512,225	137,671
Excess of Revenues Over Expenditures	1,026,778	839,404	998,655	159,251
OTHER FINANCING (USES)				
Transfers in		12,489	12,488	(1)
Transfers out	(1,259,153)	(1,259,153)	(1,259,150)	3
Premiums on obligations			698	698
Total Other Financing (Uses)	(1,259,153)	(1,246,664)	(1,245,964)	700
Net Change in Fund Balances*	\$ (232,375)	\$ (407,260)	(247,309)	\$ 159,951
Fund Balances at Beginning of Year			2,599,781	
Fund Balances at End of Year			<u>\$ 2,352,472</u>	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 48,987			
Assigned	183,388			
	<u>\$ 232,375</u>			

TOWN OF BROOKHAVEN
DOCK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 290,058	\$ 290,058	\$ 290,058	\$ -
Total Real Property Taxes	290,058	290,058	290,058	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	58	58	5	(53)
Total Other Real Property Tax Items	58	58	5	(53)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	638	638	1,623	985
Rental of real property	23,500	23,500	21,000	(2,500)
Total Use of Money and Property	24,138	24,138	22,623	(1,515)
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations		21,500	21,500	
Total Miscellaneous Local Sources	-	21,500	21,500	-
Total Revenues	314,254	335,754	334,186	(1,568)
EXPENDITURES				
TRANSPORTATION				
Docks, piers and wharves	227,523	266,920	130,071	136,849
Total Transportation	227,523	266,920	130,071	136,849
Total Current	227,523	266,920	130,071	136,849
Total Expenditures	227,523	266,920	130,071	136,849
Excess of Revenues Over Expenditures	86,731	68,834	204,115	135,281
OTHER FINANCING (USES)				
Transfers out	(169,497)	(169,497)	(169,497)	-
Total Other Financing (Uses)	(169,497)	(169,497)	(169,497)	-
Net Change in Fund Balances*	<u>\$ (82,766)</u>	<u>\$ (100,663)</u>	34,618	<u>\$ 135,281</u>
Fund Balances at Beginning of Year			448,239	
Fund Balances at End of Year			<u>\$ 482,857</u>	
 * Budgeted net change in fund balance:				
Restricted - debt service	\$			
Assigned	82,766			
	<u>\$ 82,766</u>			

TOWN OF BROOKHAVEN
EROSION CONTROL DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 319,248	\$ 319,248	\$ 319,248	\$ -
Total Real Property Taxes	319,248	319,248	319,248	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	137	137	5	(132)
Total Other Real Property Tax Items	137	137	5	(132)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	6,795	6,795	6,793	(2)
Total Use of Money and Property	6,795	6,795	6,793	(2)
STATE AID				
Emergency disaster assistance grant			3,179	3,179
Total State Aid	-	-	3,179	3,179
FEDERAL AID				
Emergency disaster assistance grant			104,563	104,563
Other	27,531	27,531		(27,531)
Total Federal Aid	27,531	27,531	104,563	77,032
Total Revenues	353,711	353,711	433,788	80,077
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Flood and erosion control	317,187	372,287	77,032	295,255
Total Expenditures	317,187	372,287	77,032	295,255
Excess of Revenues Over Expenditures	36,524	(18,576)	356,756	375,332
OTHER FINANCING (USES)				
Transfers out	(70,895)	(70,895)	(70,895)	
Total Other Financing (Uses)	(70,895)	(70,895)	(70,895)	-
Net Change in Fund Balances*	\$ (34,371)	\$ (89,471)	285,861	\$ 375,332
Fund Balances at Beginning of Year			1,874,186	
Fund Balances at End of Year			\$ 2,160,047	
 * Budgeted net change in fund balance:				
Restricted - debt service	\$ 17,571			
Assigned	16,800			
	\$ 34,371			

TOWN OF BROOKHAVEN
FIRE PROTECTION DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 588,328	\$ 588,328	\$ 588,328	\$ -
Total Real Property Taxes	588,328	588,328	588,328	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			10	10
Total Other Real Property Tax Items	-	-	10	10
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	160	160	226	66
Total Use of Money and Property	160	160	226	66
FEDERAL AID				
Emergency disaster assistance grant			12,398	12,398
Total Federal Aid	-	-	12,398	12,398
Total Revenues	588,488	588,488	600,962	12,474
EXPENDITURES				
PUBLIC SAFETY				
Fire protection services	588,488	588,937	544,491	44,446
Total Expenditures	588,488	588,937	544,491	44,446
Excess (Deficiency) of Revenues Over (Under) Expenditures		(449)	56,471	56,920
OTHER FINANCING (USES)				
Transfers in		585	585	
Premiums on obligations			4,389	4,389
Total Other Financing (Uses)	-	585	4,974	4,389
Net Change in Fund Balances	\$ -	\$ 136	61,445	\$ 61,309
FIRE PROTECTION DISTRICTS - NO ANNUAL BUDGET				
USE OF MONEY AND PROPERTY				
Interest and earnings on investments			130	
Fund Balances at Beginning of Year			94,335	
Fund Balances at End of Year			\$ 155,910	

TOWN OF BROOKHAVEN
STREET LIGHTING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 4,915,838	\$ 4,915,838	\$ 4,915,838	\$ -
Total Real Property Taxes	4,915,838	4,915,838	4,915,838	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	65,000	65,000	64,861	(139)
Interest and penalties on real property taxes	150	150	82	(68)
Total Other Real Property Tax Items	65,150	65,150	64,943	(207)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	9,500	9,500	11,917	2,417
Total Use of Money and Property	9,500	9,500	11,917	2,417
FEDERAL AID				
Other	5,252	5,252	5,019	(233)
Total Federal Aid	5,252	5,252	5,019	(233)
Total Revenues	4,995,740	4,995,740	4,997,717	1,977
EXPENDITURES				
Current:				
TRANSPORTATION				
Street lighting	5,148,353	5,176,708	4,913,074	263,634
Total Transportation	5,148,353	5,176,708	4,913,074	263,634
Total Expenditures	5,153,353	5,181,708	4,913,074	268,634
Excess of Revenues Over Expenditures	(157,613)	(185,968)	84,643	270,611
OTHER FINANCING (USES)				
Transfers in		29,873	29,873	-
Transfers out	(203,970)	(203,969)	(203,969)	-
Premiums on obligations			86,663	86,663
Total Other Financing (Uses)	(203,970)	(174,096)	(87,433)	86,663
Net Change in Fund Balance*	\$ (361,583)	\$ (360,064)	(2,790)	\$ 357,274
Fund Balance at Beginning of Year			2,071,268	
Fund Balance at End of Year			\$ 2,068,478	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 111,583			
Assigned	250,000			
	\$ 361,583			

TOWN OF BROOKHAVEN
PARK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 51,000	\$ 51,000	\$ 51,000	\$ -
Total Real Property Taxes	51,000	51,000	51,000	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			1	1
Total Other Real Property Tax Items	-	-	1	1
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	90	90	345	255
Total Use of Money and Property	90	90	345	255
Total Revenues	51,090	51,090	51,346	256
EXPENDITURES				
Current:				
CULTURE AND RECREATION				
Parks	51,974	51,974	35,743	16,231
Total Expenditures	51,974	51,974	35,743	16,231
Excess Revenues Over Expenditures	(884)	(884)	15,603	16,487
Net Change in Fund Balance*	\$ (884)	\$ (884)	15,603	\$ 16,487
Fund Balances at Beginning of Year			78,407	
Fund Balances at End of Year			\$ 94,010	
* Budgeted net change in fund balance: Assigned	\$ 884			

TOWN OF BROOKHAVEN
REFUSE AND GARBAGE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 1,213,823	\$ 1,213,823	\$ 1,213,823	\$ -
Total Real Property Taxes	1,213,823	1,213,823	1,213,823	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes		1	20	19
Total Other Real Property Tax Items	-	1	20	19
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	1,040	1,040	1,192	152
Total Use of Money and Property	1,040	1,040	1,192	152
Total Revenues	1,214,863	1,214,864	1,215,035	171
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	1,214,863	1,214,864	1,214,864	
Total Expenditures	1,214,863	1,214,864	1,214,864	-
Net Change in Fund Balances	\$ -	\$ -	171	\$ 171
Fund Balances at Beginning of Year			115,084	
Fund Balances at End of Year			\$ 115,255	

TOWN OF BROOKHAVEN
SEWER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 927,330	\$ 927,330	\$ 927,330	\$ -
Total Real Property Taxes	927,330	927,330	927,330	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	30	30	16	(14)
Total Other Real Property Tax Items	30	30	16	(14)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	1,000	1,000	3,756	2,756
Total Use of Money and Property	1,000	1,000	3,756	2,756
Total Revenues	928,360	928,360	931,102	2,742
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Sewage treatment disposal	486,807	486,807	370,304	116,503
Total Expenditures	486,807	486,807	370,304	116,503
Excess of Revenues Over Expenditures	441,553	441,553	560,798	119,245
OTHER FINANCING (USES)				
Transfers in		46,958	46,958	
Transfers out	(524,864)	(524,864)	(463,110)	61,754
Total Other Financing (Uses)	(524,864)	(477,906)	(416,152)	61,754
Net Change in Fund Balance*	\$ (83,311)	\$ (36,353)	144,646	\$ 180,999
Fund Balance at Beginning of Year			977,969	
Fund Balance at End of Year			<u>\$ 1,122,615</u>	
* Budgeted net change in fund balance:				
Restricted - debt service	311			
Assigned	83,000			
	<u>\$ 83,311</u>			

TOWN OF BROOKHAVEN
WATER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 456,309	\$ 456,309	\$ 456,309	\$ -
Total Real Property Taxes	456,309	456,309	456,309	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes			1,057	1,057
Interest and penalties on real property taxes			8	8
Total Other Real Property Tax Items	-	-	1,065	1,065
DEPARTMENTAL INCOME				
Metered water sales			4,943	4,943
Total Departmental Income	-	-	4,943	4,943
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	600	600	1,328	728
Total Use of Money and Property	600	600	1,328	728
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			41,878	41,878
Total Miscellaneous Local Sources	-	-	41,878	41,878
Total Revenues	456,909	456,909	505,523	48,614
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Water	529,159	618,226	604,613	13,613
Total Expenditures	529,159	618,226	604,613	13,613
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,250)	(161,317)	(99,090)	62,227
OTHER FINANCING (USES)				
Transfers out	(2,930)	(2,930)	(2,929)	1
Total Other Financing (Uses)	(2,930)	(2,930)	(2,929)	1
Net Change in Fund Balances*	\$ (75,180)	\$ (164,247)	(102,019)	\$ 62,228
WATER DISTRICTS - NO ANNUAL BUDGET				
USE OF MONEY AND PROPERTY				
Interest and earnings on investments			1,056	
Fund Balances at Beginning of Year			925,835	
Fund Balances at End of Year			\$ 824,872	
* Budgeted net change in fund balance:				
Restricted - debt service	\$ 2,930			
Assigned	72,250			
	\$ 75,180			

TOWN OF BROOKHAVEN
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2015

	Town Agency Fund	Town Clerk Agency Fund	Town Receiver of Taxes Agency Fund	Total Agency Funds
ASSETS				
Cash	\$ 51,211,071	\$ 162,933	\$ 155,432,133	\$ 206,806,137
Length of service plan assets	5,479,321			5,479,321
Due from governmental funds	53,067			53,067
Total Assets	<u>\$ 56,743,459</u>	<u>\$ 162,933</u>	<u>\$ 155,432,133</u>	<u>\$ 212,338,525</u>
LIABILITIES				
Due to New York State Comptroller		\$ 160		\$ 160
Due to Treasurer of Suffolk County, New York	\$ 329,688		\$ 1,088,026	1,417,714
Due to the Department of Health of the State of New York		2,182		2,182
Due to the Department of Agriculture and Markets of the State of New York		539		539
Due to school districts	30,753,894		125,791,225	156,545,119
Due to fire districts	2,448,112		10,009,829	12,457,941
Due to governmental funds	1,822			1,822
Liability arising from length of service plan	5,479,321			5,479,321
Other agency liabilities	17,730,622	160,052	18,543,053	36,433,727
Total Liabilities	<u>\$ 56,743,459</u>	<u>\$ 162,933</u>	<u>\$ 155,432,133</u>	<u>\$ 212,338,525</u>

TOWN OF BROOKHAVEN
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
ASSETS				
Town Agency Funds				
Cash	\$ 51,989,299	\$ 42,076,082	\$ 42,854,310	\$ 51,211,071
Length of service plan assets	5,138,802	538,105	197,586	5,479,321
Due from governmental funds	3,094	53,087	3,094	53,067
Total Assets - Town Agency Funds	57,131,195	42,667,254	43,054,990	56,743,459
Town Clerk Agency Funds				
Cash	237,105	2,530,471	2,604,643	162,933
Total Assets - Town Clerk Agency Funds	237,105	2,530,471	2,604,643	162,933
Town Receiver of Taxes Agency Funds				
Cash	90,820,013	1,141,304,890	1,076,692,770	155,432,133
Total Assets - Town Receiver of Taxes Agency Funds	90,820,013	1,141,304,890	1,076,692,770	155,432,133
Total Assets	\$ 148,188,313	\$ 1,186,502,615	\$ 1,122,352,403	\$ 212,338,525
LIABILITIES				
Town Agency Funds				
Other agency liabilities	\$ 17,447,684	\$ 8,595,633	\$ 8,312,695	\$ 17,730,622
Due to Treasurer of Suffolk County, New York	327,990	329,688	327,990	329,688
Due to school districts	31,545,150	30,753,894	31,545,150	30,753,894
Due to fire districts	2,475,720	2,448,112	2,475,720	2,448,112
Due to governmental funds	195,849	1,822	195,849	1,822
Liability arising from length of service plan	5,138,802	538,105	197,586	5,479,321
Total Liabilities - Town Agency Funds	57,131,195	42,667,254	43,054,990	56,743,459
Town Clerk Agency Funds				
Due to New York State Comptroller	457	3,886	4,183	160
Due to the Department of Health of the State of New York	3,172	47,430	48,420	2,182
Due to the Department of Agriculture and Markets of the State of New York	468	7,693	7,622	539
Other agency liabilities	233,008	2,471,462	2,544,418	160,052
Total Liabilities - Town Clerk Agency Funds	237,105	2,530,471	2,604,643	162,933
Town Receiver of Taxes Agency Funds				
Due to school districts	73,464,307	806,235,380	753,008,462	125,791,225
Due to fire districts	5,767,071	63,626,441	59,383,683	10,009,829
Due to Treasurer of Suffolk County, New York	717,479	141,908,082	141,537,535	1,088,026
Other agency liabilities	10,871,156	129,534,987	121,863,090	18,543,053
Total Liabilities - Town Receiver of Taxes Agency Funds	90,820,013	1,141,304,890	1,076,692,770	155,432,133
Total Liabilities	\$ 148,188,313	\$ 1,186,502,615	\$ 1,122,352,403	\$ 212,338,525

APPENDIX C

FORM OF DISCLOSURE UNDERTAKING

**DISCLOSURE UNDERTAKING CERTIFICATE
PURSUANT TO RULE 15c2-12 OF THE
SECURITIES AND EXCHANGE COMMISSION**

On the date hereof, the Town of Brookhaven, Suffolk County, New York (the "Town") is issuing the Bonds (as defined below) To facilitate compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") promulgated under the Securities Exchange Act of 1934, as amended by the underwriter (as defined in the Rule), the Town hereby undertakes for the benefit of the record and beneficial owners from time to time of the Bonds (the "Holders") to provide:

A. Definitions. As used in this Undertaking, the following terms have the meanings ascribed to such terms below:

"Bonds" means the Issuer's \$60,167,400 General Obligation Serial Bonds – 2017 (Tax Exempt), dated April 18, 2017.

"Issuer" means the Town of Brookhaven, Suffolk County, New York.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Undertaking" means this Disclosure Undertaking.

B. Annual Reports. The Issuer shall provide annually to the MSRB, (1) within six months after the end of each fiscal year ending after the date hereof, financial information and operating data with respect to the Issuer of the general type contained in or cross referenced in the Issuer's final Official Statement, dated April 11, 2017 under the headings **"THE TOWN", "INDEBTEDNESS OF THE TOWN" "FINANCES OF THE TOWN", "REAL PROPERTY TAX INFORMATION" and "LITIGATION AND OTHER PROCEEDINGS"; and in Appendices A and B,** and (2) if not provided as part such financial information and operating data, audited financial statements of the Issuer, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and shall be audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

If the Issuer changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Undertaking.

The financial information and operating data to be provided pursuant to this Undertaking may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

C. Event Notices. The Issuer shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond or Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide a notice described in “B”, above, by the time required by this Undertaking.

D. Filings with the MSRB. All notices and other documents provided to the MSRB in accordance with this Undertaking shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

E. Limitations, Disclaimers, and Amendments. The Issuer shall be obligated to observe and perform the covenants specified in this Undertaking for so long as, but only for so long as, the Issuer remains an “obligated person” with respect to the Bonds within the meaning of the Rule.

The provisions of this Undertaking are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the notices which it has expressly agreed to provide pursuant to this Undertaking and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Undertaking or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS UNDERTAKING, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Undertaking shall constitute a breach of or default on the Bonds.

Nothing in this Undertaking is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Undertaking may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Undertaking, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of the Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Issuer may also repeal or amend the provisions of this Undertaking if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

APPENDIX D

FORM OF LEGAL OPINIONS

April 18, 2017

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United States

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State of New York

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Re: Town of Brookhaven, Suffolk County, New York
\$60,167,400 General Obligation Serial Bonds – 2017 (Tax-Exempt)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$60,167,400 General Obligation Serial Bonds – 2017 (Tax-Exempt) (the “Obligation”), of the Town of Brookhaven, Suffolk County, New York (the “Obligor”), dated April 18, 2017.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986 (the “Code”), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;
- (3) a tax certificate (the “Tax Certificate”) executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or ordinance applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants

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contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011 of the State of New York, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights.
- (c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the federal alternative minimum taxable income of the owners thereof who are individuals. We call to your attention that interest on the Obligation owned by a corporation (other than an "S" corporation or a qualified mutual fund, real estate mortgage investment conduit, real estate investment trust or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code is computed. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,