This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2017

RENEWALS **BOND ANTICIPATION NOTES**

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

The Village will designate the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

VILLAGE OF PORT JEFFERSON
SUFFOLK COUNTY, NEW YORK

(the "Village")

$1,480,000

BOND ANTICIPATION NOTES – 2017

(the "Notes")

Dated Date: August 17, 2017 Maturity Date: August 17, 2018

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

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser, the Notes may be either registered to the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. For those Notes registered to the purchaser, a single note certificate shall be delivered to the purchaser, for those Notes bearing the same rate of interest in the principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Those Notes issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Noteholders will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See *"Book-Entry System"* herein).

Payment: Payment of the principal of and interest on any Notes issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC Participants or Indirect Participants and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Village Clerk. See "*Book-Entry System*" herein. Payment of the principal of and interest on the Notes registered to the Purchaser will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on August 8, 2017 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about August 17, 2017 in New York, New York, or as otherwise agreed to by the Village and the purchaser.

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

VILLAGE OF PORT JEFFERSON
IN THE TOWN OF BROOKHAVEN
SUFFOLK COUNTY, NEW YORK

121 West Broadway
Port Jefferson, New York 11777
Telephone: 631/473-4740
Fax: 631/476-0672

BOARD OF TRUSTEES

Margot Garant, Mayor

Bruce D'Abramo
Stanley Loucks
Laurence LaPointe
Bruce Miller

Robert Juliano, Village Administrator/Clerk
Denise Mordente, Village Treasurer

Village Attorney

Brian Egan, Esq.

* * *

BOND COUNSEL

Hawkins Delafield & Wood 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 Village 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 Village. 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 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 Village 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 Village since the date hereof.

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OFFICIAL STATEMENT

Relating to

VILLAGE OF PORT JEFFERSON
SUFFOLK COUNTY, NEW YORK

$1,480,000 BOND ANTICIPATION NOTES – 2017
(the "Notes")

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village and presents certain information relating to the Village's $1,480,000 Bond Anticipation Notes – 2017 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Village 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 Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the Village. The Village has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein)**.**

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

Paying agent fees, if any, for those Notes registered to the purchaser will be paid by the purchaser(s).

The Village will act as Paying Agent for any Notes, issued in book-entry form. The Village's contact information is as follows: Denise Mordente, Village Treasurer, Village of Port Jefferson, 121 West Broadway, Port Jefferson, New York 11777, Phone (631) 473-4740, Fax (631) 476-0672 and email: treasurer@portjeff.com.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-Entry System

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

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 facilities 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"). Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that u se of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes 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 Village 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 Village, 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 Village, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

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 Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Authorization and Purpose

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

Date of Authorization	Purpose	Amount to be Issued
05/16/2016	Acquisition of Highway Equipment	$ 455,000
05/16/2016	Acquisition of a Parcel of Real Property located between West Broadway and Barnum Avenue and Construction of a Parking Lot	525,000
05/16/2016	Construction of Improvements to Rocket Ship Park	500,000
	TOTAL	$ 1,480,000

Security and Source of Payment

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

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. **(**See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

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

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

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

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The Village's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

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

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

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

REMEDIES UPON DEFAULT

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

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

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 41 N.Y.2d 644 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

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

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

MUNICIPAL BANKRUPTCY

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

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

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

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

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

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

Financial Control Boards

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

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

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

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

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

No Past Due Debt

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

THE VILLAGE

Description

The Village is located in the north-central portion of Suffolk County in the Town of Brookhaven, approximately 56 miles east of New York City. Its current population is estimated to be 7,802 according to the U.S. Bureau of Census and it encompasses a land area of approximately 3.1 square miles. Located on Long Island Sound, the Village's deep water harbor has made a significant contribution to its economy and to the quality of life of its residents. In addition to oil-docking facilities, the Village is the site of the Bridgeport-Port Jefferson Ferry, which provides cross-sound ferry service for both passengers and vehicles on a year-round basis; it is also the location of some of the largest marinas on the north shore of Suffolk County for pleasure boats, as well as boat yards, fishing vessels, restaurants and shopping. Residents find employment in the Village and in the surrounding area at such facilities as Mather Hospital, St. Charles Hospital, the State University at Stony Brook, Brookhaven National Laboratory or other private and governmental operations.

Incorporated in 1963, the Village provides a variety of services to its residents and property owners, including road maintenance and zoning and code enforcement. The Village also owns and operates the Port Jefferson Country Club, which includes an 18-hole golf course, tennis courts and a club house which is open for catering functions as well as private dining. The Village also maintains a beach on the north shore of Long Island Sound and parks for children as well as adults.

Rail transportation is provided by the Long Island Railroad, which has a branch line terminating in Port Jefferson. Highways include New York State Routes 25A (a major east-west artery) and 112, which leads to the Long Island Expressway (Interstate Route 495). Water service is provided by the Suffolk County Water Authority; sewer service is provided by the County of Suffolk, which also provides police protection. Gas and electric service is provided by National Grid and the PSEG Long Island, respectively and fire protection is provided by a local volunteer unit.

Government

One independently governed school district, which relies on its own taxing powers granted by the State to raise revenues is located partially within the Village. The school district uses the Town of Brookhaven assessment roll as its basis for taxation of property located within the Village.

The Village Treasurer is appointed by the Mayor and approved by the Board of Trustees to a two-year term and is responsible for the overall financial operation of the Village. The Village Clerk also serves as the Receiver of Taxes.

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

The legislative power of the Village is vested in the Board of Trustees, which consists of five members, including the Mayor, who is the chief executive officer of the Village, each elected for a term of four years. Elections are held every two years. There is one elected Village Justice who serves a four-year term and one Assistant Village Justice who is appointed each year. The Village Clerk, Village Treasurer, Village Attorney, Village Assessor and other department heads are appointed by the Mayor with consent of the Board. All the Board members are elected at large and there is no limitation to the number of terms each may serve.

Employees

The Village provides services to its residents and business owners utilizing 48 full-time and approximately 145 part-time employees, most of whom are represented by CSEA whose contract expired on June 1, 2017.

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Village, Town of Port Jefferson and County of Suffolk.

Population

Year	Village	Town of Brookhaven	Suffolk County
1990	7,455	397,014	1,292,665
2000	7,837	448,248	1,419,369
2010	8,043	486,040	1,493,350
2015	7,802	488,930	1,501,373

Sources: U.S. Bureau of the Census Population Reports.

Income Data

	Per Capita Money Income			
	1990	2000	2010	2015*
Village of Port Jefferson	$23,805	$33,852	$45,558	$55,294
Town of Brookhaven	16,441	24,191	32,410	35,067
County of Suffolk	18,481	26,577	34,582	37,634
State of New York	16,501	23,389	30,948	33,236

	Median Household Income			
	1990	2000	2010	2015*
Village of Port Jefferson	$54,620	$65,119	$98,355	$110,681
Town of Brookhaven	47,074	62,475	81,937	87,040
County of Suffolk	49,128	65,288	91,104	88,663
State of New York	32,965	51,591	55,217	59,269

Source: United States Bureau of the Census
*Note: Based on American Community Survey 5-Year Estimates (2011-2015)

Selected Listing of Larger Employers – in the Village of Port Jefferson

Name of Employer	Nature of Business	Number of Employees
John T. Mather Hospital	Hospital	1,800
St. Charles Hospital	Hospital	1600
Verizon	Communication Services	325
Port Jefferson UFSD	Public Schools	220
National Grid	Power Plant	90

Unemployment Rate Statistics

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

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2012	7.7	7.8	8.6
2013	6.5	6.5	7.7
2014	5.3	5.3	6.4
2015	4.8	4.8	5.3
2016	4.3	4.3	4.8
2017 (5 Month Average)	4.3	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Notes.

Purpose and Pledge. The Village 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 Village may contract indebtedness only for a Village 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 periods of probable usefulness of the objects or purposes as determined by statute or weighted average maturity thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village 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 Village 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 Village 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 Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of July 25, 2017)

Fiscal Year Ending May 31:	Assessed Valuation	State Equal. Rate (%)	Full Valuation
2014	$22,495,546	0.89	$2,527,589,438
2015	22,594,949	0.92	2,455,972,717
2016	22,586,859	0.92	2,455,093,370
2017	22,667,147	0.94	2,411,398,617
2018	22,517,525	0.89	2,530,058,989

Total Five Year Full Valuation		$12,380,113,131
Average Five Year Full Valuation		2,476,022,626
Debt Limit - 7% of Average Full Valuation		173,321,584
Inclusions:		
General Purpose Bonds		5,590,000
Bond Anticipation Notes		1,480,000
Total Inclusions		7,070,000
Exclusions:		
Appropriations		575,000
Total Exclusions		575,000
Total Net Indebtedness Before Issuing the Notes		6,495,000
The Notes	1,480,000	1,480,000
Less: BANs to be Redeemed by the Issuance of the Notes		1,480,000
Net Effect of the Notes		0
Total Indebtedness After Issuing of the Notes		6,495,000
Net Debt Contracting Margin		$166,826,584
Percent of Debt Contracting Margin Exhausted (%)		3.75

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending May 31:	Principal	Interest	Total
2018	$575,000	$141,175	$716,175
2019	475,000	126,476	601,476
2020	500,000	116,726	616,726
2021	500,000	106,631	606,631
2022	505,000	96,350	601,350
2023	535,000	84,013	619,013
2024	545,000	70,394	615,394
2025	540,000	55,663	595,663
2026	545,000	40,387	585,387
2027	545,000	24,075	569,075
2028	160,000	13,000	173,000
2029	165,000	6,600	171,600
	$5,590,000	$881,490	$6,471,490

a. Does not include payments made to date.

Details of Short-Term Indebtedness Outstanding
(As of July 25, 2017)

As of the date of this Official Statement, the Village has $1,480,000 in Bond Anticipation Notes outstanding, which is to be redeemed with the issuance of this BAN.

Authorized But Unissued Indebtedness

As of the date of this Official Statement, the Village has no authorized but unissued debt.

Capital Project Plans

The Village is generally responsible for providing services as required to the citizens on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Village owns, operates, maintains and improves recreation, water and sewer facilities. In general, needs for capital funding for the above described projects which the Village has responsibility are anticipated to continue and to be in approximately the same amounts or less than has prevailed in the past.

Trend of Outstanding Debt

	2013	2014	2015	2016	2017
Bonds	$5,680,000	$7,250,000	$6,715,000	$6,155,000	$5,590,000
BAN's	0	2,000,000	2,000,000	0	1,480,000
Total Debt Outstanding	$5,680,000	$9,250,000	$8,715,000	$6,155,000	$7,070,000

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/08/2017	1.14	$25,731,005	$14,946,550
Town of Brookhaven	04/13/2017	5.33	37,541,146	31,704,530
Port Jefferson UFSD	06/30/2016	92.50	3,394,750	3,394,750
Totals			$66,666,902	$50,045,830

Debt Ratios
(As of July 25, 2017)

	Amount	Per Capita[a]	Percentage Of Full Value (%)[b]
Total Direct Debt	$ 7,070,000	$ 906	0.288
Net Direct Debt	6,495,000	832	0.265
Total Direct & Applicable Total Overlapping Debt	73,736,902	9,451	3.003
Net Direct & Applicable Net Overlapping Debt	56,540,830	7,247	2.303

a. The current estimated population of the village is 7,802
b. The full valuation of taxable real property in the Village for 2016-17 is $2,411,398,617

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The Village maintains its financial records in accordance with the Uniform System of Accounts for Villages prescribed by the State Comptroller. The financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and Federal statutes. As required by law, the Village also prepares and Annual Financial Report Update Document (unaudited) for submission to the State Comptroller. The financial statements are audited each year by an independent public accountant. The last such audited annual report made available for public inspection covers the fiscal year ended May 31, 2016 and is attached as Appendix B. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

Fund Structure and Accounts

The Village 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 special 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 Village presently maintains the following governmental funds: General Fund, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

Investment Policy

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

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

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

The Board of Trustees of the Village has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Mayor is responsible for the preparation and submission of the tentative annual budget to the Board. The Village Board reviews the tentative budget and prepares a preliminary budget and a public hearing is held thereon. Subsequent to the public hearing, revisions (if any) are made. The budget is then adopted by the Village Board as final for the year beginning June 1. The budget is not subject to referendum. Municipal law provides that no expenditures may exceed budgeted appropriations. Any revisions to the annual budget proposed to accommodate changes in departments or other programs must be adopted by resolution of the Village Board.

Financial Operations

The Village Treasurer functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Village Treasurer is responsible for the Village's accounting and financial reporting activities. The Mayor is the Village's budget officer and prepares the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Village Treasurer. Pursuant to Section 30.00 of the Local Finance Law, the Village Treasurer has been authorized to issue or renew certain specific types of notes. As required by law, the Village Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. Capital projects and selected equipment purchases are accounted for in special capital projects funds. The Village observes a June 1 - May 31 fiscal year for operating and reporting purposes.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village. Other Revenues include other Tax Items, Intergovernmental Charges, Departmental Income and Use of Money and Property. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A. (See also "*Tax Levy Limit Law*" herein).

Real Property Taxes

See "*Tax Information*", herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited financial statements of the Village, the Village received approximately 5.23% of its total General Fund operating revenue in the form of State aid during the fiscal year ending May 31, 2016. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Village 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, the Village 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.

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

The following table sets forth the percentage of the Village's General Fund revenue comprised of State aid for each of the fiscal years 2012 through 2016 and, as budgeted, for the fiscal years ending 2017 and 2018.

FYE May 31:	Total Revenue	State Aid	State Aid to Revenues (%)
2012	$ 8,528,092	$423,031	4.96
2013	9,019,237	529,575	5.87
2014	9,541,808	575,372	6.03
2015	9,681,849	436,060	4.50
2016	10,231,337	534,634	5.23
2017 (Budgeted)	10,551,508	478,970	4.54
2018 (Budgeted)	10,409,097	528,970	5.08

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

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

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

The most current applicable report of OSC designates the Village as "No Designation" (Fiscal Score: 15.8%) in 2014. More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on May 15, 2015. The Village was one of eleven local governments audited for a statewide report entitled "Parkland Alienation". The complete report, along with the District's response, may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Culture and Recreation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") or the New York State and Local Police and Fire Retirement System (PFRS). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement Systems Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for ERS employees hired after January 1, 2010 through March 31, 2012. Tier 5 employees contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years.

The Village has decided not to amortize any pension contributions.

The Village is required to contribute an actuarially determined rate. The following table sets forth the contributions for the five most recently completed fiscal years.

Payments to the Retirement Systems

Fiscal Year Ending May 31:	ERS
2013	$444,122
2014	516,134
2015	483,165
2016	609,452
2017	462,559
2018 (Budgeted)	537,337

Other Post Employment Benefits

The Village 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 Village, 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.

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 unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Village presents its financial statements under a comprehensive statutory basis of accounting in accordance with principles prescribed by the Office of the State Comptroller ("OSC") of the State of New York.

Should the Village required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Village's finances and could force the Village to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirements for the Village to partially fund its actuarial accrued OPEB liability. 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 Village has decided to continue funding the expenditure on a pay-as-you-go basis.

Actuarial Valuation are required every two years for OPEB plans with more than two hundred members, or every three years if there are less than two hundred members. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, Accounting and Financial Reporting Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68. The implementation of the Statements requires the Village to report, as a liability, its portion of the collective net pension liability in the New York State and Local Employees' Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow and/or inflow for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as deferred outflows, are the Village's contributions to the pension system subsequent to the measurement date.

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. See "Tax Limit" herein. The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

The following table sets forth the percentage of the Village's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, and budgeted for 2017 and 2018.

Fiscal Year Ending May 31:	Total Revenue	Property Taxes	Property Taxes To Revenues (%)
2012	$8,528,092	$5,291,348	62.05
2013	9,019,236	5,620,398	62.32
2014	9,541,808	5,821,138	61.01
2015	9,681,849	6,309,996	65.17
2016	10,231,337	6,539,947	63.92
2017 (Budgeted)	10,551,508	6,217,225	58.92
2018 (Budgeted)	10,409,097	6,518,628	62.62

Source: Audited financial statements (2012 through 2016), and adopted budget for fiscal years ended May 31, 2017 and 2018.

Tax Collection Procedure

Tax payments are due on June 1st each year and are payable without penalty up to and including July 1. Penalties for tax delinquencies are imposed at the rate of 5% for the balance of July and an additional percentage (which is set by the State each year and in recent years has approximated 1%) for each month or fraction of thereof thereafter. In March of each year tax liens are sold at auction pursuant to proceedings set forth in the Real Property Tax Law. Consequently, there are usually no uncollected taxes at the end of the fiscal year.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws New York of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020, as extended, or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village to pay the bonds and notes of the Village and interest thereon is subject to statutory limitations set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

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

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2016-2017 fiscal year is as follows:

Five-year Average Full Valuation	$2,476,022,626
Tax Limit - 2% thereof	49,520,453
Tax Levy for General Village Purposes	6,305,189
Less: Exclusions	0
Tax Levy Subject to Tax Limit	$6,305,189
Constitutional Tax Margin	$43,215,264

Tax Levies, Collection Records and Tax Rates

	2013	2014	2015	2016	2017
General	$5,394,998	$5,828,884	$6,110,341	$6,217,225	$6,305,189
Taxes Rate per $1,000 of Assessed Valuation	$2.24	$2.38	$2.59	$2.70	$2.75

Selected Listing of Large Taxable Properties[a]
2016-2017 Assessment Roll

Name	Type	Assessed Valuation
National Grid	Utility	$10,674,850
North Shore Professional Realty	Commercial	166,115
Crest Hill LLC	Commercial	86,135
Northville Industries	Commercial	85,420
Belle Terre Equities c/o Fairfield	Commercial	79,200
Belle Height LLC	Commercial	75,600
Barnum Equities	Commercial	65,625
	Total[a]	$11,232,945

a. Represents 49.56% of the most recently available Total Taxable Assessed Valuation.

LONG ISLAND POWER AUTHORITY TAX CERTIORARI

The Long Island Power Authority (LIPA) and National Grid (NG) has initiated tax certiorari proceedings to challenge their property tax assessment of the power plant located in the Village. The results of such a challenge could have a considerable impact on the Village's residential property taxes. The Port Jefferson Power Plant currently pays $2,937,000 in taxes to the Village. The plant's assessed valuation represents approximately 46.7% of the total assessed valuation of the Village. A reduction on the taxes paid by LIPA/NG would cause a shift in the tax burden to the Village's residential tax base and could impact future budgets. The impact would be contingent upon the amount of LIPA/NG's property tax assessment reduction. The Village continues to contest the proceeding and is of the opinion that a negotiated compromise on future assessments will be achieved.

LITIGATION

In common with other villages, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial conditions of the Village.

TAX MATTERS

Opinion of Bond Counsel

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

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

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

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes. In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

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

Note Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes, substantially as set forth in Appendix C.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Village will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as "APPENDIX D".

Disclosure Compliance History

On July 31, 2013, the Village filed a material event notice regarding the status of the ratings of the bond insurers on various bonds issued by the Village. Since the fall of 2008, there have been in excess of 25 rating actions on bond insurers reported by Moody's, Standard & Poor's and Fitch. Due to widespread knowledge of the downgrades to such bond insurers, material event notices were not filed pursuant to every rating action.

On December 8, 2014, the Village filed a material event notice for the failure to file the audited financial statements for fiscal years ending May 31, 2010 and May 31, 2011 within 180 days following the end of each respective fiscal year. The 2010 audit was filed 123 days late on March 30, 2011 and the 2011 audit was filed 47 days late on January 13, 2012.

On June 2, 2016, the Village filed a material event notice for failure to file their audited financial statements for the fiscal year ended May 31, 2015 in a timely manner. The May 31, 2015 audited financial statements have since been filed.

In accordance with prior continuing disclosure undertakings agreements of the Village, the Village filed the Statement of Annual Financial and Operating Information and the unaudited Annual Financial Report Update Document for the fiscal year ending May 31, 2012, 3 days late on November 30, 2012. The audited financial statements of the Village for fiscal year ending May 31, 2012, were later filed 122 days late on September 30, 2013.

All of the outstanding bonds of the Village were issued pursuant to a "Limited Disclosure Undertaking". The 2012 Refunding Bonds of the Village were also issued with a "Limited Disclosure Undertaking". Such bonds required the Village to file its audits (or unaudited financial statements) and budgets, for each fiscal year.

RATING

The Notes are not rated.

Moody's Investors Services, Inc. has assigned a rating of "Aa3" to the outstanding bonds of the Village. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Notes.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Denise Mordente, Village Treasurer, Village of Port Jefferson, 121 West Broadway, Port Jefferson, New York 11777, Phone (631) 473-4740, Fax (631) 476-0672 and email: treasurer@portjeff.com., or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: http://www.munistat.com.

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 Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village 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 Village 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 Village and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegates to the Village Treasurer the power to sell and issue the Notes.

By: s/s DENISE MORDENTE
Village Treasurer
Village of Port Jefferson
Port Jefferson, New York

July , 2017

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	2012	2013	2014	2015	2016
Revenues:					
Real Property Taxes	$ 5,291,348	$ 5,620,398	$ 6,067,660	$ 6,309,996	$ 6,539,947
Other Tax Items				23,950	31,857
Non-Property Tax Items				334,451	344,168
Interest & Penalties	13,007	15,059	30,306		
Utilities Gross Receipts Tax	170,547	164,228	177,019		
Snow removal Charges	14,316	13,858	30,000		
Franchises	152,115	152,113	162,637		
Departmental Income	1,561,247	1,463,363	1,540,179	1,607,979	1,849,942
Intergovernmental Charges				30,000	
Use of Money and Property	170,173	109,168	79,902	77,791	42,630
Licenses & Permits	170,457	153,752	210,584	130,351	212,023
Fines & Forfeitures	461,657	433,065	482,361	475,462	544,528
Sale of Property & Compensation for Loss	5,892	89,287	42,635	73,322	51,175
Interfund Revenue	80,000	80,000		80,000	80,000
State Aid	423,031	529,574	492,891	463,060	534,634
Federal Aid	3,380	181,003	88,659	60,670	
Miscellaneous	10,922	14,368	56,976	14,817	433
Total Revenues	8,528,092	9,019,236	9,461,809	9,681,849	10,231,337
Expenditures:					
General Government Support	1,809,326	2,116,176	2,016,330	2,052,439	2,051,907
Public Safety	611,210	604,280	657,621	769,497	880,246
Health	491,051	521,745	536,460	572,400	572,400
Transportation	1,471,212	1,600,534	1,653,225	1,608,910	1,578,693
Econimic Assistance and Opportunity				69,644	72,773
Culture and Recreation	985,779	1,025,654	1,000,438	1,031,781	1,041,965
Home and Community Services	292,420	217,073	221,967	322,596	368,157
Employee Benefits	1,604,260	1,444,140	1,555,296	1,648,444	1,874,142
Debt Service	475,528	729,559	729,368	871,964	888,387
Total Expenditures	7,740,786	8,259,161	8,370,705	8,947,675	9,328,670
Other Financing Sources (Uses):					
Proceeds From:					
Transfers In					164,313
Transfers Out	(817,122)	(664,687)	(1,073,996)	(719,632)	(473,138)
Total Other Financing Sources (Uses)	(817,122)	(664,687)	(1,073,996)	(719,632)	(308,825)
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	(29,816)	95,388	17,108	14,542	593,842
Fund Balance Beginning of Year	1,197,095	1,167,279	1,262,667	1,279,775	1,294,316
Fund Balance End of Year	$ 1,167,279	$ 1,262,667	$ 1,279,775	$ 1,294,316	$ 1,888,158

Source: Audited Annual Financial Reports of the Village (2012-2016).
NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Country Club

	2012	2013	2014	2015	2016
Revenues:					
Departmental Income	$ 1,762,574	$ 1,761,365	$ 1,760,042	$ 1,769,022	$ 1,709,032
Use of Money and Property	8,349	5,466	2,119	1,630	837
Miscellaneous	5,763	109,996	5,835	4,603	
Total Revenues	1,776,686	1,876,827	1,767,996	1,775,255	1,709,869
Expenditures:					
Culture and Recreation	1,402,976	1,454,685	1,504,680	1,205,854	1,275,974
Employee Benefits	219,216	259,007	294,749	287,332	274,028
Debt Service				143,402	162,471
Total Expenditures	1,622,192	1,713,692	1,799,429	1,636,588	1,712,473
Other Financing Sources (Uses):					
Proceeds From:					
Transfers In					
Transfers Out	(152,338)	(140,475)	(173,295)	(680,819)	(177,655)
Total Other Financing Sources (Uses)	(152,338)	(140,475)	(173,295)	(680,819)	(177,655)
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	2,156	22,660	(204,728)	(542,152)	(180,259)
Fund Balance Beginning of Year	748,193	750,349	773,009	568,281	26,129
Fund Balance End of Year	$ 750,349	$ 773,009	$ 568,281	$ 26,129	$ (154,130)

Source: Audited Annual Financial Reports of the Village (2012-2016).
NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Capital Projects

	2012	2013	2014	2015	2016
Revenues:					
BAN Redeemed From Appropriation	$ 50,000	$	$	$	$
State Aid	281,313	146,002	829,405		114,731
Federal Aid					1,832,526
Miscellaneous	3,000	40,000	23,750	86,996	
Total Revenues	334,313	186,002	853,155	86,996	1,947,257
Expenditures:					
General Government Support				150,009	
Public Safety				10,250	
Transportation	2,985,575	2,736,811	6,545,899	1,178,931	2,533,646
Culture and Recreation				927,119	
Home and Community Services	772,006	10,605			
Debt Service					2,000,000
Total Expenditures	3,757,581	2,747,416	6,545,899	2,266,309	4,533,646
Other Financing Sources (Uses):					
Proceeds From:					
Proceeds from Serial Bonds	5,500,000	0	2,000,000	1,400,451	2,199,732
Transfers In	969,460	797,275	1,247,291		486,480
Transfers Out					
Total Other Financing Sources (Uses)	6,469,460	797,275	3,247,291	1,400,451	2,686,212
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	3,046,192	(1,764,139)	(2,445,453)	(778,862)	99,823
Fund Balance Beginning of Year	1,817,442	4,863,634	3,099,495	654,042	(124,820)
Fund Balance End of Year	$ 4,863,634	$ 3,099,495	$ 654,042	$ (124,820)	$ (24,997)

Source: Audited Annual Financial Reports of the Village (2012-2016).
NOTE: This Schedule NOT audited.

Balance Sheet-General Fund

Fiscal Year Ending May 31:

	2015	2016
Assets:		
Cash		
Unrestricted	$ 1,419,444	$ 1,184,792
Receivables		
Accounts Receivable	112,094	88,476
Due from Other Funds	182,398	2,388,553
	$ 1,713,936	$ 3,661,821
Total Assets:		
Liabilities:		
Accounts Payable	$ 315,243	$ 134,250
Accrued Liabilites	104,377	224,681
Due to Other Funds	0	1,331,502
Due to Employees' Retirement System	0	69,074
Deferred Inflows of Resources		14,156
Total Liabilities and Deferred Revenues	419,620	1,773,663
Fund Balance:		
Assigned		567,740
Unassigned	1,294,316	1,320,418
Total Fund Balance	1,294,316	1,888,158
Total Liabilities and Fund Balance	$ 1,713,936	$ 3,661,821

Source: Audited Annual Financial Report of the Village (2015 & 2016).

Budget Summary
Fiscal Year Ending May 31:

	2016-17	2017-18
Revenues:		
Appropriated Fund Balance*	$ 360,000	$ 273,500
Real Property Taxes	6,217,225	6,518,628
Other Tax Items	285,225	
Non-Property Tax	355,000	355,000
Departmental Income	819,000	855,000
Culture and Recreation	957,275	987,000
Use of Money & Property	52,000	55,000
Licenses & Permits	255,000	270,000
Fines & Forfeitures	550,000	550,000
Sale of Prop & Comp for Loss	7,500	7,500
Interfund Revenue	40,000	
Miscellaneous	5,000	8,500
State Aid	478,970	528,970
Interfund Transfers	169,313	
Total:	$ 10,551,508	$ 10,409,097
Expenses:		
General Government Support	$ 2,127,262	$ 2,215,025
Public Safety	923,700	995,213
Health	585,650	581,499
Transportation	1,921,973	1,921,668
Culture & Recreation	1,309,908	1,246,021
Home & Community Services	459,125	363,850
Employee Benefits	2,102,300	2,090,059
Interfund Transfer	358,000	425,000
Debt Service	763,490	570,763
	$ 10,551,408	$ 10,409,097

Source: Adopted Budgets of the Village.

VILLAGE OF PORT JEFFERSON

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2016

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

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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Incorporated Village of Port Jefferson
Port Jefferson, New York

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise the Village'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 the financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1, to meet the reporting requirements of New York State. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Incorporated Village of Port Jefferson on the basis of financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Port Jefferson, as of May 31, 2016, and the respective changes in its financial position for the fiscal year then ended.

Basis for Disclaimer of Opinion on the Non-Current Governmental Assets Account Group

The Incorporated Village of Port Jefferson, did not maintain adequate accounting records to support amounts reported in the non-current governmental assets account group. We were unable to obtain sufficient appropriate audit evidence regarding the amounts at which land, buildings and equipment are reported in the accompanying financial statements at May 31, 2016 (stated at $57,970,828 in total) by other auditing procedures.

Disclaimer of Opinion on the Non-Current Governmental Assets Account Group

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Non-Current Governmental Assets Account Group" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the non-current governmental assets account group. Accordingly, we express no such opinion on the non-current-governmental assets account group as reported on the balance sheet.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of each governmental and fiduciary fund type, and the non-current governmental liabilities account group of the Incorporated Village of Port Jefferson as of May 31, 2016, and the respective changes in financial position for the year then ended in accordance with the financial reporting provisions of the New York State Office of the State Comptroller described in Note 1.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68,* as of May 31, 2016. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Incorporated Village of Port Jefferson's financial statements for the year ended May 31, 2015, and we disclaimed an opinion on the non-current governmental assets account group and we expressed an unmodified opinion on each governmental and fiduciary fund type and the non-current governmental liabilities account group in our report dated July 6, 2016. Those financial statements were prepared on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Office of the State Comptroller. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Port Jefferson's basic financial statements. The other supplementary information on pages 22 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the Incorporated Village of Port Jefferson's internal control over financial reporting and 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 Incorporated Village of Port Jefferson's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 21, 2016

INCORPORATED VILLAGE OF PORT JEFFERSON
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
May 31, 2016

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
		Special Revenue							
		Community	Country	Capital	Trust &	Non-Current Governmental			
	General	Development	Club	Projects	Agency	Assets	Liabilities	2016	2015
ASSETS									
Cash									
Unrestricted	$ 1,184,792	$ 21,998	$ 917,371	$ 12,697	$ 130,866	$	$	$ 2,267,724	$ 3,907,812
Restricted				537,877				537,877	1,212,042
Accounts receivable	88,476	27,300	58,387					174,163	187,115
Due from state and federal				666,122				666,122	-
Due from other funds	2,388,553		319,751	1,845,321	1,068,353			5,621,978	260,105
Capital assets						57,970,828		57,970,828	57,970,828
Provisions to be made in future budgets							9,572,026	9,572,026	8,060,584
Total Assets	3,661,821	49,298	1,295,509	3,062,017	1,199,219	57,970,828	9,572,026	76,810,718	71,598,486
DEFERRED OUTFLOWS OF RESOURCES									
Pension						1,716,317		1,716,317	-
Total Assets and Deferred Outflows of Resources	$ 3,661,821	$ 49,298	$ 1,295,509	$ 3,062,017	$ 1,199,219	$59,687,145	$ 9,572,026	$ 78,527,035	$ 71,598,486
LIABILITIES									
Accounts payable	$ 134,250	$ 19,760	$ 52,116	$ 215,969	$	$	$	$ 422,095	$ 934,053
Accrued liabilities	224,681		26,218					250,899	107,679
Due to other funds	1,331,502	29,538	1,354,268	2,871,045	35,625			5,621,978	260,105
Bond anticipation note								-	2,000,000
Bonds payable							6,155,000	6,155,000	6,715,000
Due to employees' retirement system	69,074		8,537					77,611	-
Compensated absences payable							443,007	443,007	443,007
Capital lease payable							868,814	868,814	902,577
Collections in advance			8,500					8,500	11,000
Other liabilities					1,163,594			1,163,594	1,058,612
Net pension liability - proportionate share							1,850,744	1,850,744	-
Total Liabilities	1,759,507	49,298	1,449,639	3,087,014	1,199,219	-	9,317,565	16,862,242	12,432,033
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	14,156							14,156	-
Pension							254,461	254,461	-
	14,156	-	-	-	-	-	254,461	268,617	-
FUND BALANCE									
Investment in non-current governmental assets						59,687,145		59,687,145	57,970,828
Restricted:									
Unspent bond proceeds								-	1,212,042
Assigned:									
Appropriated fund balance	360,000							360,000	400,000
Unappropriated fund balance	207,740							207,740	26,129
Unassigned: Fund balance (deficit)	1,320,418		(154,130)	(24,997)				1,141,291	(442,546)
Total Fund Balances (Deficit)	1,888,158	-	(154,130)	(24,997)	-	59,687,145	-	61,396,176	59,166,453
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 3,661,821	$ 49,298	$ 1,295,509	$ 3,062,017	$ 1,199,219	$59,687,145	$ 9,572,026	$ 78,527,035	$ 71,598,486

INCORPORATED VILLAGE OF PORT JEFFERSON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL FUND TYPES
For the Year Ended May 31, 2016

	Governmental Fund Types				Totals (Memorandum Only)	
		Special Revenue				
	General	Community Development	Country Club	Capital Projects	2016	2015
REVENUES						
Real property taxes	$ 6,539,947	$	$	$	$ 6,539,947	$ 6,309,996
Other tax items	31,857				31,857	23,950
Non-property tax items	344,168				344,168	334,451
Departmental income	1,849,942		1,709,032		3,558,974	3,377,001
Intergovernmental charges					-	30,000
Use of money and property	42,630		837		43,467	79,421
Licenses and permits	212,023				212,023	130,351
Fines and forfeitures	544,528				544,528	475,462
Sale of property and compensation for loss	51,175				51,175	73,322
Miscellaneous	433				433	19,420
Interfund revenues	80,000				80,000	80,000
State aid	534,634			114,731	649,365	395,060
Federal aid		50,908		1,832,526	1,883,434	224,066
Total Revenues	10,231,337	50,908	1,709,869	1,947,257	13,939,371	11,552,500
EXPENDITURES						
General government support	2,051,907				2,051,907	2,202,449
Public safety	880,246				880,246	779,747
Health	572,400				572,400	572,400
Transportation	1,578,693			2,533,646	4,112,339	2,787,841
Economic opportunity and development	72,773				72,773	69,644
Culture and recreation	1,041,965		1,275,974		2,317,939	3,164,754
Home and community services	368,157	50,908			419,065	330,996
Employee benefits	1,874,142		274,028		2,148,170	1,935,776
Debt service						
Principal	692,802		144,614	2,000,000	2,837,416	799,773
Interest	195,585		17,857		213,442	215,593
Total Expenditures	9,328,670	50,908	1,712,473	4,533,646	15,625,697	12,858,973
Excess / (Deficiency) of Revenues Over Expenditures	902,667	-	(2,604)	(2,586,389)	(1,686,326)	(1,306,473)
OTHER SOURCES AND USES						
Proceeds of obligations				199,732	199,732	-
BANs redeemed from appropriations				2,000,000	2,000,000	-
Operating transfers in	164,313			486,480	650,793	1,566,493
Operating transfers out	(473,138)		(177,655)		(650,793)	(1,566,493)
Total Other Sources (Uses)	(308,825)	-	(177,655)	2,686,212	2,199,732	-
Excess / (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	593,842	-	(180,259)	99,823	513,406	(1,306,473)
Fund Balance (Deficit) - Beginning of Year	1,294,316		26,129	(124,820)	1,195,625	2,502,098
Fund Balance (Deficit) - End of Year	$ 1,888,158	$ -	$ (154,130)	$ (24,997)	$ 1,709,031	$ 1,195,625

1. Summary of Significant Accounting Policies

The financial statements of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 2016, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* GASB 34 financial statements require the presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

The Village is governed by Municipal Law and other general laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

The following basic services are provided:

General support, public safety, health, transportation, economic opportunity and development, culture and recreation, and home and community service.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB, as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures.

Governmental resources are allocated to and accounted for in individual funds 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 grouped in the financial statements in the following fund types and account groups:

i) Governmental Fund Types

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 based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

(1) General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

(2) Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Community Development Fund – This fund is used to account for community development block grants received from the U.S. Department of Housing and Urban Development (HUD) passed through Suffolk County.

Country Club Fund – This fund is used to account for the activities relating to the country club. The country club is self-supporting through membership fees and user charges.

(3) Capital Projects Fund - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

ii) Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Village in a trustee or custodial capacity.

Trust and Agency Fund - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Funds held by the Village represent various guarantee deposits.

iii) Account Groups

Account groups are used to establish accounting control and accountability for the Village's general capital assets and general long-term obligations. The account groups are not "funds". They are accounting entities, not fiscal entities, and are concerned only with the measurement of financial position and not with the results of operations.

(1) Non-Current Governmental Assets Account Group – the non-current governmental assets account group is used to account for land, construction in progress, buildings and improvements, and machinery and equipment owned by the Village. Also included are deferred outflows of resources related to pensions.

(2) Non-Current Governmental Liabilities Account Group – the non-current governmental liabilities account group is used to account for all long-term debt and other obligations of the Village. Also included are deferred inflows of resources related to pensions.

c) Measurement Focus and Basis of Accounting

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, pension costs, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Use of Estimates

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

e) Cash

Cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

f) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible amounts has been provided since it is believed that such allowance would not be material.

g) Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying Balance Sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues is provided subsequently in these Notes to Financial Statements.

h) Capital Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at estimated fair market value when given. Capital assets are accounted for in the non-current governmental assets account group and are removed when an asset is sold or retired.

No depreciation has been provided on capital assets nor has interest in capital assets construction in progress been capitalized.

	Capitalization Threshold	Estimated Useful Life
Land	$ 500	N/A
Land improvements	500	10-40 Years
Building and building improvements	500	10-40 Years
Furniture and equipment	500	3-10 Years
Construction in progress	500	N/A

i) Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources, in the non-current governmental assets account group, relates to pensions and represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system, the net difference between projected and actual earnings on pension plan investments, and Village pension contributions subsequent to the measurement date.

j) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. First is deferred revenues reported in the general fund when resources are received by the Village before it has a legal claim to them and consist primarily of real property taxes received before the period for which the real property taxes are levied. These amounts are classified as deferred inflows of resources. In subsequent periods, when the Village has legal claim to the resources, the deferred revenues are recognized as revenues. The second item is related to pensions. This represents the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension system not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

k) Vacation and Sick Leave and Compensatory Absences

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall retain the authority to assign fund balance.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

q) Real Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

r) Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Changes in Accounting Principles

GASB Statements No. 68 and 71

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the Village to report, as a liability, its portion of the collective net pension liability in the New York State and Local Employees' Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow and/or inflow for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as deferred outflows, are the Village's contributions to the pension system subsequent to the measurement date.

3. Stewardship, Compliance and Accountability

a) Budget Policies

The Village's budget policies are as follows:

The Village's administration submits a tentative budget to the Board of Trustees for their review. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.

A public hearing is held on the final draft of the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.

All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and by the appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, to comply with the filing requirements of the Village's Annual Financial Report Update Document.

b) Over Expenditure of Certain Appropriations

Certain general fund appropriations were over expended. The general fund budget in total was not over expended.

c) Country Club Fund

The country club fund has an unassigned fund balance deficit of $154,130. This will be funded through membership dues and assessments.

d) Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of $24,997. This will be funded when the Village obtains permanent financing for its current construction project.

4. Detail Notes on All Funds and Account Groups

a) Assets

i) Deposits with Financial Institutions and Investments

The Village's investment policies are governed by State statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. 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. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

A. Uncollateralized,
B. Collateralized by securities held by the pledging financial institution, or
C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year end or during the year.

ii) Interfund Transactions

Interfund balances at May 31, 2016 and interfund transfers for the year ended May 31, 2016 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Transfers In	Transfers Out
General	$ 2,388,553	$ 1,331,502	$ 164,313	$ 473,138
Community Development		29,538		
Country Club	319,751	1,354,268		177,655
Capital Projects	1,845,321	2,871,045	486,480	
Trust & Agency	1,068,353	35,625		
Total	$ 5,621,978	$ 5,621,978	$ 650,793	$ 650,793

The Village transferred funds to the capital projects fund in accordance with the adopted general fund budget and funds from the country club to the general fund and capital projects fund to fund country club projects.

iii) Accounts Receivable

Accounts receivable at May 31, 2016 consisted of the following:

Fund	Description	Amount
General	Utility credit	$ 37,500
	Ambulance charges	33,706
	Village center rental	16,423
	Various	847
		88,476
Community Development	Due from Suffolk County	27,300
Country Club	Various member fees	58,387
Total		$ 174,163

iv) Due from State and Federal

The Village is owed $666,122 in Federal Emergency Management Aid for storm damages in the capital projects fund.

v) Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance May 31, 2015	Additions	Deletions	Balance May 31, 2016
Land	$ 32,416,618	$	$	$ 32,416,618
Buildings	17,599,156			17,599,156
Machinery & Equipment	7,955,054			7,955,054
Total	$ 57,970,828	$ -	$ -	$ 57,970,828

b) Liabilities

i) Collections in Advance

Collections in advance at May 31, 2016 consisted of the following:

Country Club Fund	Golf outings	$ 8,500

ii) Pension Plan - New York State and Local Employees' Retirement System

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This system is a cost-sharing, multiple-employer, defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost of living increases, and death benefits to plan members and beneficiaries.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31st, for the current year and two preceding years was:

	Required Contribution
2016	$ 609,452
2015	483,165
2014	516,134

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

At May 31, 2016, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports delivered to the Village.

Measurement date	March 31, 2016
Village's proportionate share of the net pension liability	$ (1,850,744)
Village's portion of the Plan's total net pension liability	0.0115309%

At May 31, 2016, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,352	$ 219,375
Changes of assumptions	493,538	
Net difference between projected and actual earnings on pension plan investments	1,097,963	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	37,853	35,086
Village's contributions subsequent to the measurement date	77,611	
Total	$ 1,716,317	$ 254,461

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:

Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected 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*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2016
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0)%	Current Assumption (7.0)%	1% Increase (8.0)%
Village's proportionate share of the net pension asset (liability)	$ (4,173,294)	$ (1,850,744)	$ 111,711

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

Measurement date	March 31, 2016
	(Dollars in Thousands)
Employers' total pension liability	$ (172,303,544)
Plan fiduciary net position	156,253,265
Employers' net pension liability	$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	90.68%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2016, represent the projected employer contribution for the period of April 1, 2016 through May 31, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 amounted to $77,611 of employer contributions. Employee contributions are remitted monthly.

iv) Postemployment Benefits

The Village paid $123,954 in postemployment benefits for fourteen retirees, which is included in employee benefits in the Statement of Revenues, Expenditures and Changes in Fund Balances – All Fund Types.

v) Short-term debt

Transactions in short-term debt for the year are summarized below:

	Maturity	Effective Interest Rate	Balance May 31, 2015	Issued	Redeemed	Balance May 31, 2016
BAN	12/17/2015	0.40%	$ 2,000,000	$	$ (2,000,000)	$

Interest on short-term debt for the year was $20,000. The BAN was issued to finance beach repairs.

vi) Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended May 31, 2016:

	Balance May 31, 2015	Additions	Reductions	Balance May 31, 2016	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 6,715,000	$	$ (560,000)	$ 6,155,000	$ 565,000
Capital lease payable	902,577	199,732	(233,495)	868,814	332,801
Other long-term liabilities:					
Compensated absences	443,007			443,007	
	$ 8,060,584	$ 199,732	$ (793,495)	$ 7,466,821	$ 897,801

The general fund has typically been used to liquidate long-term liabilities. Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. The maturity of compensated absences is not determinable.

Bonds Payable

The following is a statement of the Village's bonds payable with corresponding maturity schedule:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2016
Serial bond - refunding	2/28/2010	1/15/2018	2.00-5.00%	$ 200,000
Serial bond - roadway	10/12/2011	10/1/2026	2.00-3.00%	4,175,000
Serial bond - club irrigation & course improvements	12/18/2013	12/15/2028	2.00-4.00%	1,780,000
				$ 6,155,000

The following is a summary of maturing debt service requirements for bonds payable:

Fiscal Year Ending May	Principal	Interest	Total
2017	$ 565,000	$ 154,275	$ 719,275
2018	575,000	140,975	715,975
2019	475,000	126,475	601,475
2020	500,000	116,725	616,725
2021	500,000	106,631	606,631
2022-2026	2,670,000	346,806	3,016,806
2027-2029	870,000	43,675	913,675
	$ 6,155,000	$ 1,035,562	$ 7,190,562

Interest on long-term debt for the year was $167,475.

Capital Lease Payable

The Village has leases for Village vehicles and various club equipment, and accounts for the leases as capital leases. The following is a schedule of future minimum lease payments under capital leases with the present value of net minimum lease payments:

Total minimum lease payments	$ 927,266
Less: Amounts representing interest	(58,452)
Present value of minimum lease payments	$ 868,814

Scheduled maturities of future minimum lease payments at May 31, 2016, are as follows:

Fiscal Year Ending May	Amount
2017	$ 332,801
2018	178,732
2019	173,736
2020	159,077
2021	24,468
	$ 868,814

vii) Debt Limits

The Village's outstanding serial bonds payable represent approximately 3.12% of the Village's debt limit at May 31, 2016.

5. Commitments and Contingencies

a) Risk Management

The Village is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

b) Litigation

As of the end of the fiscal year, the Village was named as a party in four separate lawsuits. One lawsuit captioned Grobe v. Incorporated Village of Port Jefferson seeks damages. The Village has filed a counterclaim. The matter is awaiting scheduling on the court's trial calendar. The Village intends to contest this matter vigorously, but there is a potential chance of an adverse monetary award against the Village which would not exceed $400,000. Settlement discussions are ongoing, with the monetary range being far less than the speculative exposure.

c) Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2016, which could affect future operating budgets of the Village.

6. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 21, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

On August 17, 2016, the Village issued bond anticipation notes in the amount of $1,480,000, which are due August 17, 2017 and bear interest at 2.0%.

INCORPORATED VILLAGE OF PORT JEFFERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	$ 6,463,009	$ 6,463,009	$ 6,539,947	$ 76,938
Interest and Penalties	19,000	19,000	31,857	12,857
Non-Property Tax Items				
Utilities gross receipts tax	175,000	175,000	171,982	(3,018)
Franchise fees	160,000	160,000	172,186	12,186
Total Non-Property Tax Items	335,000	335,000	344,168	9,168
Departmental Income				
Safety inspection fees	25,000	25,000	48,700	23,700
Health	280,000	280,000	289,313	9,313
Parking meter fees	356,544	356,544	416,456	59,912
Village center, concessions, rink & park fees	923,500	923,500	1,015,027	91,527
Zoning and planning board fees	45,000	45,000	80,446	35,446
Total Departmental Income	1,630,044	1,630,044	1,849,942	219,898
Use of Money and Property	57,000	57,000	42,630	(14,370)
Licenses and Permits	170,000	170,000	212,023	42,023
Fines and Forfeitures	460,000	460,000	544,528	84,528
Sale of Property and Compensation for Loss				
Sale of equipment	6,500	6,500	5,469	(1,031)
Insurance recoveries	-	-	45,706	45,706
Total Sale of Property and Compensation for Loss	6,500	6,500	51,175	44,675
Miscellaneous	5,000	5,000	433	(4,567)
Interfund Revenues	80,000	80,000	80,000	-
Total Local Sources	9,225,553	9,225,553	9,696,703	471,150
State sources				
Per capita	33,302	33,302	33,302	-
Mortgage tax	240,000	240,000	282,457	42,457
Other government aid	-	-	33,207	33,207
Consolidated highway aid	155,000	155,000	185,668	30,668
Total State Aid	428,302	428,302	534,634	106,332
Total Revenues	9,653,855	9,653,855	10,231,337	577,482
OTHER FINANCING SOURCES				
Operating Transfers In	169,313	169,313	164,313	(5,000)
Total Revenues and Other Financing Sources	9,823,168	9,823,168	10,395,650	$ 572,482
APPROPRIATED FUND BALANCE				
Prior years' surplus	400,000	400,000		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	$ 10,223,168	$ 10,223,168		

INCORPORATED VILLAGE OF PORT JEFFERSON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)

For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government Support				
Board of trustees	$ 31,000	$ 31,000	$ 34,925	$ (3,925)
Village justice	179,470	180,689	178,283	2,406
Mayor	22,500	22,500	24,296	(1,796)
Treasurer	449,518	450,935	487,862	(36,927)
Clerk	379,011	379,011	398,864	(19,853)
Law	125,500	125,500	135,057	(9,557)
Engineer	125,667	125,667	132,022	(6,355)
Elections	5,500	5,500	5,584	(84)
Building	174,900	182,513	159,488	23,025
Unallocated insurance	420,000	420,000	410,039	9,961
Assessment	27,750	27,750	29,262	(1,512)
Special items	59,253	59,253	56,225	3,028
Total General Government Support	2,000,069	2,010,318	2,051,907	(41,589)
Public Safety				
Traffic control	25,000	25,000	9,265	15,735
Managed parking	136,544	136,544	117,886	18,658
Police	490,837	490,848	516,365	(25,517)
Safety inspection	210,325	210,325	236,730	(26,405)
Total Public Safety	862,706	862,717	880,246	(17,529)
Health				
Registrar	1,800	1,800	-	1,800
Ambulance	583,850	583,850	572,400	11,450
Total Health	585,650	585,650	572,400	13,250
Transportation				
Street maintenance	1,296,550	1,278,448	1,149,443	129,005
Snow removal	200,000	200,000	102,903	97,097
Street lighting	268,582	272,164	313,525	(41,361)
Sidewalks	70,000	70,000	12,822	57,178
Total Transportation	1,835,132	1,820,612	1,578,693	241,919
Economic Opportunity and Development				
Programs for the aging	74,700	74,700	72,773	1,927
Culture and Recreation				
Playground, recreation and youth programs	813,998	818,182	720,381	97,801
Parks	320,790	320,866	321,584	(718)
Total Culture and Recreation	1,134,788	1,139,048	1,041,965	97,083
Home and Community Services				
Drainage	90,000	90,000	1,365	88,635
Planning	248,383	248,383	225,000	23,383
Environmental	54,500	54,500	67,454	(12,954)
Refuse and garbage	159,000	159,000	74,338	84,662
Total Home and Community Services	551,883	551,883	368,157	183,726

INCORPORATED VILLAGE OF PORT JEFFERSON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
Employee Benefits				
State retirement	$ 555,000	$ 555,000	$ 541,175	$ 13,825
Social security and Medicare	260,000	260,000	250,941	9,059
Worker's compensation	200,000	200,000	186,980	13,020
Life insurance	4,000	4,000	3,908	92
Unemployment insurance	20,000	20,000	6,140	13,860
Disability insurance	5,000	5,000	1,980	3,020
Hospital and medical insurance	910,000	910,000	883,018	26,982
Accrued leave	15,000	15,000	-	15,000
Total Employee Benefits	1,969,000	1,969,000	1,874,142	94,858
Debt Service				
Principal	594,390	594,390	692,802	(98,412)
Interest	189,850	189,850	195,585	(5,735)
Total Debt Service	784,240	784,240	888,387	(104,147)
Total Expenditures	9,798,168	9,798,168	9,328,670	469,498
OTHER USES				
Operating transfers out	425,000	425,000	473,138	(48,138)
Total Expenditures and Other Uses	$ 10,223,168	$ 10,223,168	9,801,808	$ 469,498
Net Change in Fund Balance			593,842	
Fund Balance - Beginning of Year			1,294,316	
Fund Balance - End of Year			$ 1,888,158	

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

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

To the Board of Trustees
Incorporated Village of Port Jefferson
Port Jefferson, New York

We have audited, 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, the financial statements of the Incorporated Village of Port Jefferson (Village), as of and for the year ended May 31, 2016, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 21, 2016 in which we expressed an adverse opinion on the financial statements in accordance with U.S. generally accepted accounting principles, a disclaimer of opinion on the non-current governmental assets account group, and an unmodified opinion on the regulatory basis of accounting for each governmental and fiduciary fund and the non-current governmental liabilities account group. As described more fully in Note 1, the Incorporated Village of Port Jefferson has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2016-001, to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Port Jefferson in a separate letter dated November 21, 2016.

Incorporated Village of Port Jefferson's Response to Findings

Incorporated Village of Port Jefferson's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Incorporated Village of Port Jefferson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cullen & Danowski, LLP

November 21, 2016

FINANCIAL STATEMENTS FINDING

Material Weaknesses

2015-001 Capital Assets

Criteria: The financial reporting provisions of the New York State Office of the State Comptroller requires complete and accurate records of capital assets.

Condition: The Village's capital assets records are incomplete.

Cause: The Village failed to develop procedures for accounting for capital assets.

Effect: The inadequacy of capital assets accounting records weakens the Village's control and accountability over the Village's capital assets, and resulted in a disclaimer of opinion on the non-current governmental assets account group on the independent auditors' report accompanying the financial statements.

Recommendation: The Village should have complete and accurate capital assets records to provide control and accountability over the Village's capital assets, and to be in compliance with the financial reporting provisions of the New York State Office of the State Comptroller.

Managements Response: The Village will develop procedures for accounting for capital assets.

2016-001 Maintenance of Accounting Records

Criteria: The Village must exercise control over the maintenance of its accounting records. The maintenance of its accounting records includes ensuring that all activity is properly reflected in the general ledger.

Condition: The Village did not have an employee with the expertise to maintain the general ledger. As a result, we proposed audit adjustments that were necessary to properly reflect the current year activity, all of which were accepted and recorded by the Village.

Cause: The Village did not have an individual who was properly trained to be responsible for recording all financial activity and maintaining the general ledger.

Effect: The adjusting journal entries proposed by the auditor, which were accepted and recorded by the Village had a significant impact on the financial statements.

Recommendation: We recommend that the Village review its financial processes to ensure that all activity is properly recorded in the general ledger.

Managements Response: The Village will ensure that the individual responsible for the maintenance of accounting records receives the proper training.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Hawkins Delafield & Wood LLP

28 LIBERTY STREET
NEW YORK, NY 10005
WWW.HAWKINS.COM

August 17, 2017

The Board of Trustees of the
Village of Port Jefferson, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Port Jefferson (the "Village"), in the County of Suffolk, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $1,480,000 Bond Anticipation Note – 2017 (the "Note") of the Village dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

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

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

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

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

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences with respect to the Note or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of the interest on the Note, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Note, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village which have been or may hereafter be furnished or disclosed to purchasers of said Note.

Very truly yours,

APPENDIX D

FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

"Issuer" shall mean the Village of Port Jefferson, in the County of Suffolk, a municipal corporation of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of August 17, 2017.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof."

Securities" shall mean the Issuer's $1,480,000 Bond Anticipation Note – 2017, dated August 17, 2017, maturing on August 17, 2018, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;

(7) modifications to rights of Securities holders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

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

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of August 17, 2017.

VILLAGE OF PORT JEFFERSON

By____
Village Treasurer