

**SERIAL BONDS  
BOOK-ENTRY-ONLY BONDS**

**RATING – MOODY’S INVESTOR SERVICE: “Aaa”  
See “Bond Rating”, herein**

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

*The Town will designate the Bonds as “qualified tax-exempt obligations” pursuant to the provision of Section 265(b)(3) of the Code.*

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

**\$4,086,390 PUBLIC IMPROVEMENT SERIAL BONDS – 2017  
(the “Bonds”)**

**Dated: September 26, 2017**

**Principal Due: September 15, 2018-2032 inclusive  
Interest Due: March 15, 2018, September 15, 2018  
and semi-annually thereafter in each  
year to maturity**

**SEE BOND MATURITY SCHEDULE HEREIN**

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

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

*Form and Denomination:* At the option of the purchaser, the Bonds may be either registered in the name of 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 bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. See “BOOK-ENTRY-ONLY SYSTEM,” herein.

*Payment:* Payment of the principal of and interest on any Bonds issued in book-entry form will be made by the Town to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the Town, subject to any statutory and regulatory requirements as may be in effect from time to time. See “BOOK-ENTRY-ONLY SYSTEM,” herein. Payment of the principal of and interest on any Bonds registered in the name of 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.

Sealed bids for the Bonds will be received at 11:00 A.M. (Prevailing Time) on September 13, 2017, in accordance with the Notice of Sale dated September 5, 2017.

*The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Town, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC in Jersey City, New Jersey, or as otherwise agreed to by the Town and the Purchaser on or about September 26, 2017, in New York, New York.*

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

, 2017

\*Preliminary, subject to change.

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

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

**\$4,086,390\* PUBLIC IMPROVEMENT SERIAL BONDS – 2017**

**BOND MATURITY SCHEDULE**

**Principal Due: September 15, 2018-2032 inclusive**  
**Interest Due: March 15, 2018, September 15, 2018**  
**and semi-annually thereafter on**  
**March 15 and September 15 in each**  
**year to maturity**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
September 15, 2018	\$226,390			
September 15, 2019	325,000			
September 15, 2020	325,000			
September 15, 2021	325,000			
September 15, 2022	325,000			
September 15, 2023	250,000			
September 15, 2024	250,000			
September 15, 2025	260,000			
September 15, 2026	275,000**			
September 15, 2027	275,000**			
September 15, 2028	250,000**			
September 15, 2029	250,000**			
September 15, 2030	250,000**			
September 15, 2031	250,000**			
September 15, 2032	250,000**			

\*Preliminary, subject to change.

\*\*Subject to prior redemption.

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

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

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

**TOWN BOARD**

Hon. Patrick R. Vecchio, Town Supervisor

Lisa M. Inzerillo  
Thomas J. McCarthy

Lynne C. Nowick  
Edward R. Wehrheim

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

\* \* \*

**Bond Counsel**

Hawkins Delafield & Wood LLP  
New York, New York

\* \* \*

Prepared with the Assistance of

**MUNICIPAL ADVISOR**

**MUNISTAT SERVICES, INC.**

Municipal Finance Advisory Service

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(631) 331-8888

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

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

**\$4,086,390\* PUBLIC IMPROVEMENT SERIAL BONDS – 2017**

**[BOOK-ENTRY-ONLY BONDS]**

This Official Statement and the appendices hereto present certain information relating to the Town of Smithtown, in the County of Suffolk, in the State of New York (the “Town,” “County” and “State,” respectively) in connection with the sale of \$4,086,390\* Public Improvement Serial Bonds – 2017 (the “Bonds”) of the Town.

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

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated September 26, 2017 and will mature on September 15, in each of the years 2018 to 2032, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Bonds may be either registered in the name of 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 bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. For Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Bonds purchased (See “*BOOK-ENTRY-ONLY SYSTEM*,” herein).

Interest on the Bonds will be payable March 15, 2018, September 15, 2018, and semi-annually thereafter in each year to maturity. For Bonds issued as book-entry bonds through DTC, principal and interest will be paid by the Town to the Securities Depository, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the Town referred to therein (See “*BOOK-ENTRY-ONLY SYSTEM*,” herein).

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

The Town will act as Paying Agent for the Bonds. The Town’s contact information is as follows: Donald P. Musgnug, CPA, Town Comptroller, Town of Smithtown, Town Hall Annex 40 Maple Avenue, Smithtown, NY 11787, telephone number (631) 360-7530 and email: dmusgnug@tosgov.com.

**Optional Redemption**

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

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\*Preliminary, subject to change.

The Town may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the Town shall determine to be in the best interest of the Town at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town.

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

**Authorization and Purpose**

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

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued to Date</u>	<u>Authorized But Unissued</u>	<u>Total Amount to be Issued</u>
06/23/2016	Improvements to Town Fuel Facility	\$ 568,537	\$258,000	\$310,537	\$192,850
06/22/2017	Acquisition of a Search and Rescue Airboat	54,810	-	54,810	54,810
06/22/2017	Various Park Improvements	1,187,550	-	1,187,550	1,187,550
06/22/2017	Acquisition of Replacement Tractor Trailer	152,250	-	152,250	152,250
06/22/2017	Acquisition of Truck Paver	213,150	-	213,150	213,150
06/22/2017	Acquisition of Tractor Trailer	76,125	-	76,125	76,125
06/22/2017	Acquisition of Tub Grinder	659,750	-	659,750	659,750
06/22/2017	Acquisition of Wheel Loader	248,675	-	248,675	248,675
06/22/2017	Acquisition of Skid Steer	91,350	-	91,350	91,350
06/22/2017	Acquisition of Compact Track Loader	60,900	-	60,900	60,900
06/22/2017	Acquisition of Heavy Duty Trucks	507,500	-	507,500	507,500
06/22/2017	Acquisition of Terra Clean Turf Field Attachment	16,240	-	16,240	16,240
06/22/2017	Acquisition of Office Scale Trailer	45,675	-	45,675	45,675
06/22/2017	Acquisition of Yard Scale	86,275	-	86,275	86,275
06/22/2017	Acquisition of Parks Wheel Loader	142,100	-	142,100	142,100
06/22/2017	Paving of Municipal Parking Lots	172,550	-	172,550	172,550
06/22/2017	Acquisition of Various Equipment	131,950	-	131,950	131,950
06/22/2017	Construction of Steel Storage Building	46,690	-	46,690	46,690
				Total:	<u>\$4,086,390</u>

**BOOK-ENTRY-ONLY SYSTEM**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested of a series by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and deposited with DTC for all of the Bonds bearing the same rate of interest.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. So long as the Bonds remain in the Book-Entry-Only System, as described below, the Town will give such notice only to Cede & Co., or other successor nominee of DTC, as sole registered holder.

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

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

## **NATURE OF OBLIGATION**

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

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

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

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

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

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

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

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

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

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

## **CERTIFICATED BONDS**

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

## **MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE**

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

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

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

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

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

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

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

### **REMEDIES UPON DEFAULT**

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

Upon default in the payment of principal of or interest on the Bonds, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as

to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Bond, the owner of such Bond could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Town subject to taxation by the Town, sufficient to pay the principal of and interest on the Bonds as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

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

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

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

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

## **MUNICIPAL BANKRUPTCY**

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

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

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

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a 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 Town in the future cannot be assured.

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

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

### **Financial Control Boards**

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of

the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity 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 Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

### **No Past Due Debt**

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

## **THE TOWN**

### **Description**

The Town, which has an estimated population of 118,873 (2015 U.S. Census Bureau), is located in the north central section of Long Island, about 45 miles from New York City, and has a land area of approximately 54 square miles. The Town of Huntington borders on the west, the Town of Brookhaven borders on the east, and the Town of Islip borders on the south. Three incorporated villages are situated within the Town (The Branch, Head of the Harbor and Nissequoque), as well as a number of larger unincorporated communities, including Smithtown, Kings Park, St. James and Nesconset, and sections of both Commack and Hauppauge.

There are several large shopping centers in the Town, including one of Long Island’s largest retail centers, the Smithhaven Mall, which is situated on the Smithtown-Brookhaven border. The Mall is owned by Simon, a global leader in the ownership of premier shopping, dining, and entertainment. The Smithhaven Mall occupies 102 acres (part in each town) and has over 140 stores including Macy’s, Dick’s Sporting Goods, Apple, H&M, and in 2017, L.L. Bean. There are a number of dining options to choose from, including PF Changs, The Cheesecake Factory and California Pizza Kitchen. The Mall has areas partially enclosed for year-round shopping comfort. The Smithhaven Mall completed a \$72 million expansion and renovation which includes the addition of several new major retail outlets. Another large shopping complex located in Commack is anchored by a Target Department Store, Home Depot, Wal-Mart and Costco.

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

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

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

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

Six independently governed school districts are located wholly or partially within the Town which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

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

### **Utilities and Other Services**

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

### **Governmental Organization**

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

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

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

## Employees

The Town provides services through approximately 1,284 full-time, part-time and seasonal employees. Some of such employees are represented by organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Civil Service Employees Association.....	12-31-17	406
Smithtown Administrative Guild.....	12-31-16 <sup>a</sup>	30
Civil Service Employees Association (Part-Time Employees)	12-31-17	68

a: In negotiation.

## DEMOGRAPHIC AND STATISTICAL INFORMATION

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

### Population Statistics

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

<u>Year</u>	<u>Town of Smithtown</u>	<u>County of Suffolk</u>	<u>State of New York</u>
1980	116,663	1,284,231	17,557,288
1990	113,406	1,321,864	17,990,455
2000	115,715	1,419,369	18,976,457
2010	117,801	1,493,350	19,378,102
2015	118,873	1,501,373	19,673,174

Source: U.S. Bureau of the Census.

### Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015<sup>a</sup></u>
Town	\$21,465	\$31,401	\$43,022	\$45,518
County of Suffolk	18,481	26,577	35,411	37,634
State of New York	16,501	23,389	30,791	33,236

  

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015<sup>a</sup></u>
Town	\$60,068	\$80,421	\$104,076	\$112,693
County of Suffolk	49,128	65,288	84,235	88,663
State of New York	32,965	43,393	55,217	59,269

Source: United States Bureau of the Census.

\*Note: Based on American Community Survey 5-Year Estimates (2011-2015).

## Building Permits

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

<u>Building Permits Issued - All Types</u>	
<u>Year</u>	<u>Number of Permits</u>
2012	1829
2013	2345
2014	2457
2015	2259
2016	1872

### Selected Listing of Sizeable Employers

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Developmental Disabilities Institute	Health Care Services	1,800
Smithtown Central School District	Public Schools	1,736
St. Catherine of Siena Hospital	Hospital	1,700
L.I. Developmental Disabilities Services	Health Care Services	1,500
United Cerebral Palsy Association	Health Care Services	1,300
Town of Smithtown	Local Government	1,284
Commack Standard Microsystems Corp.	Semiconductors	1,000
Southern Container Corp.	Manufacturing/ Packaging	950
Hauppauge School District	Public Schools	652
Utopia Home Care	Health Care Services	610
Kings Park School District	Public Schools	534
Audiovox Corp.	Manufacturing/ Sound System	500
Avalon Gardens Rehabilitation & Health Care Center	Health Care Services	424

Source: Suffolk County Planning Dept.; Long Island Business News.

## Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Town of Smithtown (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2012	6.6	7.8	8.6
2013	5.6	6.5	7.7
2014	4.5	5.3	6.4
2015	4.0	4.8	5.3
2016	3.7	4.3	4.8
2017 (6 Month Average)	3.6	4.4	4.6

Source: Department of Labor, State of New York

## INDEBTEDNESS OF THE TOWN

### Constitutional Requirements

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

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

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

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

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

## Statutory Procedure

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

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

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

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits bond anticipation 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 bonds were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

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

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

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

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Town to increase its annual tax levy, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*" herein).

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

### Trend of Town Indebtedness

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

	Fiscal Year Ending December 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Outstanding End of Year:					
Subject to Debt Limit:					
Bonds	\$12,220,000	\$16,602,200	\$13,915,000	\$16,798,523	\$19,096,335
BANs	0	0	0	0	0
Subtotal	\$12,220,000	\$16,602,200	\$13,915,000	\$16,798,523	\$19,096,335
Not Subject to Debt Limit:					
Bonds	\$120,000	\$225,000	\$205,000	\$177,187	\$789,375
BANs	0	0	0	0	0
Subtotal	\$120,000	\$225,000	\$205,000	\$177,187	\$789,375
<b>Total Debt Outstanding</b>	<b>\$12,340,000</b>	<b>\$16,827,200</b>	<b>\$14,120,000</b>	<b>\$16,975,710</b>	<b>\$19,885,710</b>

Source: Town Comptroller's Office.

#### *Covanta Energy Corporation*

Since 1989, the Towns of Smithtown and Huntington have jointly owned and operated a resource recovery facility to address the concerns of solid waste disposal in both towns. The resource recovery facility (the "Facility") was originally financed by \$176 million of bonds issued by the Environmental Facilities Corporation of the State; such bonds were subsequently refunded by the Suffolk County Industrial Development Agency (the "Suffolk IDA") in the amount of \$136 million and matured in October of 2012. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges were \$6,366,089 for 2016, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

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

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$2,545,710	\$478,209	\$3,023,919
2018	2,290,000	439,031	2,729,030
2019	1,650,000	379,906	2,029,906
2020	1,635,000	341,031	1,976,031
2021	1,645,000	301,943	1,946,943
2022	1,175,000	261,431	1,436,431
2023	1,180,000	232,581	1,412,581
2024	1,185,000	203,581	1,388,581
2025	1,205,000	174,531	1,379,531
2026	1,220,000	143,556	1,363,556
2027	1,195,000	111,943	1,306,943
2028	1,205,000	80,037	1,285,037
2029	860,000	45,600	905,600
2030	635,000	22,375	657,375
2031	<u>260,000</u>	<u>6,500</u>	<u>266,500</u>
<b>Totals</b>	<b><u>\$19,885,710</u></b>	<b><u>\$3,222,250</u></b>	<b><u>\$23,107,960</u></b>

a. Does not reflect payments made to date.

**Debt Service Requirements – Outstanding Leases**

In addition, the Town has entered into a Lease Agreement for the financing of various equipment on January 8, 2015.

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$235,037	\$26,062	\$261,099
2018	239,193	21,906	261,099
2019	243,422	17,677	261,099
2020	247,726	13,373	261,099
2021	252,105	8,994	261,099
2022	<u>256,563</u>	<u>4,536</u>	<u>261,099</u>
<b>Totals</b>	<b><u>\$1,474,046</u></b>	<b><u>\$92,548</u></b>	<b><u>\$1,566,594</u></b>

a. Does not reflect payments made to date.

**Computation of Debt Limit and Calculation of Net Debt Contracting Margin**  
(As of September 5, 2017)

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full Valuation</u>	
2013	\$245,250,304	1.37	\$17,901,482,044	
2014	244,523,191	1.37	17,848,408,102	
2015	243,904,297	1.37	17,803,233,358	
2016	243,486,484	1.30	18,729,729,538	
2017	243,650,851	1.32	<u>18,458,397,803</u>	
Total Five Year Full Valuation			<u>90,741,250,845</u>	
Average Five Year Full Valuation			<u>18,148,250,169</u>	
Debt Limit - 7% of Average Full Valuation				<u>\$1,270,377,512</u>
Inclusions:				
Outstanding Bonds:				
General Purposes			18,179,147	
Water Districts			<u>781,563</u>	
Sub-Total			18,960,710	
Bond Anticipation Notes			<u>0</u>	
Total Inclusions			<u>18,960,710</u>	
Exclusions:				
Water Debt (Outstanding Bonds)			781,563	
Appropriations			<u>1,560,710</u>	
Total Exclusions			2,342,273	
Total Net Indebtedness Before Issuing the Bonds				<u>16,618,437</u>
The Bonds			<u>4,086,390</u>	
Total Net Indebtedness After Issuing the Bonds				<u>20,704,827</u>
Net Debt Contracting Margin				<u>\$1,249,672,685</u>
Percent of Debt Limit Exhausted				1.6298%

### Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	6/28/2016	6.99	\$149,836,614	\$92,426,972
Villages:				
Head of the Harbor	2/29/2016	100.00	90,000	90,000
Nissequogue	5/31/2016	100.00	288,000	288,000
The Branch	5/31/2016	100.00	0	0
School Districts:				
Commack	9/14/2016	57.83	31,520,242	11,441,848
Hauppauge	9/7/2016	56.66	14,507,793	7,979,286
Kings Park	8/30/2016	100.00	17,825,000	11,069,325
Sachem	8/9/2016	3.91	8,505,814	6,515,454
Smithtown	9/29/2016	100.00	59,725,000	34,819,675
Three Village	8/2/2016	1.16	1,331,100	364,356
Fire Districts:				
Commack	12/31/2015	100.00	0	0
Hauppauge	12/31/2015	100.00	0	0
Kings Park	12/31/2015	100.00	0	0
Nesconset	12/31/2015	100.00	436,858	436,858
St. James	12/31/2015	100.00	0	0
Smithtown	12/31/2015	100.00	14,105	14,105
Smithtown Library	12/31/2015	100.00	15,825,000	15,825,000
Totals			<u>\$299,905,525</u>	<u>\$181,270,879</u>

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

### Debt Ratios (As of September 5, 2017)

	<u>Amount</u>	<u>Per Capita<sup>a</sup></u>	<u>Percentage Of Full Value (%)<sup>b</sup></u>
Total Direct Debt	\$18,960,710	\$160	0.10
Net Direct Debt	0	0	0.00
Total Direct & Applicable Total Overlapping Debt	318,866,235	2,682	1.73
Net Direct & Applicable Net Overlapping Debt	181,270,879	1,525	0.98

a. The current estimated population of the Town is 118,873 (2015 U.S. Census).

b. The full valuation of taxable real property in the District for 2016-17 is \$18,458,397,803.

## Capital Project Plans

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

### Authorized but Unissued Debt

As of the date of this Official Statement, the Town has authorized but unissued debt in the amount of \$7,937,932 for various improvements. A portion of such amount, in the amount of \$4,086,390, will be financed by the issuance of the Bonds. See “*Authorization and Purpose*” herein.

<u>Date Authorized</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Amount Issued to Date</u>	<u>Authorized but Unissued</u>
6/04/2013	Road Improvements	\$4,270,000	\$1,490,000	\$2,780,000
6/23/2016	Animal Shelter	862,750	101,500	761,250
6/23/2016	Hardware & Software for Comptroller	152,250	52,250	100,000
6/23/2016	Traffic Signals	208,075	205,000	3,075
6/23/2016	Improvements to Town Fuel Facility	568,537	258,000	310,537
7/12/2016	Acquisition of Generator (Water District)	76,125	45,000	31,125
7/12/2016	Moriches Road (St. James Water District)	433,405	375,000	58,405
6/22/2017	Acquisition of a Search and Rescue Airboat	54,810	-	54,810
6/22/2017	Various Park Improvements	1,187,550	-	1,187,550
6/22/2017	Replacement Tractor Trailer	152,250	-	152,250
6/22/2017	Truck Paver	213,150	-	213,150
6/22/2017	Tractor Trailer	76,125	-	76,125
6/22/2017	Tub Grinder	659,750	-	659,750
6/22/2017	Wheel Loader	248,675	-	248,675
6/22/2017	Skid Steer	91,350	-	91,350
6/22/2017	Compact Track Loader	60,900	-	60,900
6/22/2017	Heavy Duty Trucks	507,500	-	507,500
6/22/2017	Terra Clean Turf Field Attachment	16,240	-	16,240
6/22/2017	Office Scale Trailer	45,675	-	45,675
6/22/2017	Yard Scale	86,275	-	86,275
6/22/2017	Parks Wheel Loader	142,100	-	142,100
6/22/2017	Paving of Municipal Parking Lots	172,550	-	172,550
6/22/2017	Acquisition of Various Equipment	131,950	-	131,950
6/22/2017	Construction of Steel Storage Building	46,690	-	46,690
			Total:	<u><u>\$7,937,932</u></u>

## **FINANCIAL MATTERS**

### **Financial Statements and Accounting Procedures**

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2016 and can be found in Appendix B. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Equity presented in Appendix A of this Statement are based on the Audited Financial Statements of the Town for the fiscal years of the Town through and including 2016.

#### *Fund Structure and Accounts*

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

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

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

#### *Basis of Accounting*

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

### **Investment Policy**

Pursuant to the statutes of the State, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided, however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further, that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by deposits in one or more banking institutions (as defined in Section 9-r of New York State Banking Law), a pledge of eligible securities or an eligible, irrevocable letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation in the State of New York, other than those notes issued by the Town; or (6) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town.

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

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

### **Revenues**

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

#### *Real Property Taxes*

See "Real Property Taxes", herein.

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

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

### **State Aid**

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

Based on the unaudited financial reports of the Town, the Town received approximately 12.28% of its total General Fund operating revenue from State aid in 2016 and budgeted approximately 11.43% for 2017. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and has the ability to reduce funding to municipalities and school districts in order to balance its own budget.

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

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of State aid for each of the fiscal years 2012 through 2016 and the budgeted amount for fiscal year 2017. The budget amount for General Fund Revenue includes appropriated fund balance.

<u>Fiscal Year Ended December 31:</u>	<u>Total General Fund Town Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2012	\$39,363,000	\$5,077,193	12.90
2013	40,723,801	5,743,258	14.10
2014	39,453,407	4,638,892	11.76
2015	43,270,619	5,050,259	11.67
2016	45,102,720	5,539,298	12.28
2017 (Budgeted)	44,270,234	5,059,132	11.43

### **Expenditures**

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

### **Budgetary Procedures**

The Town Supervisor, with the assistance of the Budget Officer prepares a tentative budget each year and submits the tentative budget to the Town Board via the Town Clerk for possible amendments. The Town Board then holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board as its final budget for the coming fiscal year. The budget is not subject to referendum.

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

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

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

The most current applicable report of the State Comptroller designates the Town as “No Designation”. (Fiscal Score: 19.2%).

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

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. There no audits available for the previous five years. Reference to this website implies no warranty of accuracy of information therein.

## **Employee Pension System**

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or the State and Local Police and Fire Retirement System ("PFRS" and together with ERS, the "Retirement System"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for "Tier 6" employees, as discussed below, whose benefits vest after ten years or credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and before January 1, 2010 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, then Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS employees hired on or after January 1, 2010. New ERS employees in Tier 5 contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

Pension reform legislation changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the Town. Under the previous method, the Town was not provided with required payment until after the budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year is based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the Town is notified of and can include the actual cost of the employer contribution in its budget. Legislation also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible.

In addition, the pension payment date for all local governments was changed from December 15 to February 1 and permits the legislative body of a municipality to establish a retirement contribution reserve fund for the purpose of financing retirement contributions in the future. The New York State Retirement System has advised the Town that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount.

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

Due to significant capital market declines in the past, the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. Although investment returns have improved recently, the employer contribution rate for the State's Retirement System may continue to be higher than the minimum contribution rate established in the past. The State calculates contribution amounts based upon a five-year rolling average. To mitigate increases in the employer contribution rate, various forms of legislation has been enacted that would permit local governments to borrow a portion of their required payments from the State pension plan.

Although the pension contribution rates under such legislative programs would reduce near-term payments, it will require higher than normal contributions in later years. This Town has not participated in any of the amortization programs and does not intend to do so in the foreseeable future.

### Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	<u>Amount</u>
2012	\$5,760,206
2013	6,850,348
2014	6,021,675
2015	5,353,705
2016	4,789,037
2017 (Budgeted)	4,762,048

### Other Post Employment Benefits

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

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

GASB 45 does not require that the unfunded liabilities actually be funded, only that the Town account for its unfunded accrued liability and compliance in meeting its Annual Required Contribution ("ARC"). Actuarial valuation will be required every two years for the Town.

The following table shows the components of the Town's other postemployment benefits liability for fiscal year ending 2016:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ended December 31, 2016:</u>
Annual required contribution (ARC)	\$15,354,977
Interest on net OPEB obligation	2,780,254
Less: Adjustments to ARC	<u>(3,941,502)</u>
Annual OPEB cost (expense)	14,193,729
Less: Contributions made	<u>4,421,526</u>
Increase in net OPEB obligation	9,772,203
Net OPEB obligation-beginning of year	<u>69,506,354</u>
Net OPEB obligation-end of year	<u><u>\$79,278,557</u></u>
Percentage of annual OPEB Cost Contributed	31.15%

Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a

material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Town to partially fund its actuarial accrued OPEB liability. Although legislation was proposed in February, 2015 by the New York State Office of the State Comptroller, the State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Town has decided to continue funding the expenditure on a pay-as-you-go basis.

**REAL PROPERTY TAX INFORMATION**

**Real Property Taxes**

The Town derives a significant portion of its annual revenue from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B, herein.) Property taxes accounted for approximately 54.94% of total budgeted General Fund revenues, for the fiscal year ended 2016. On June 24, 2011, the Tax Levy Limitation Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. (See “*Tax Levy Limit Law*” herein).

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, and, as budgeted, for the year ending December 31, 2017.

Fiscal Year Ended <u>December 31:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2012	\$39,363,000	\$19,265,052	48.94
2013	40,723,801	20,995,645	51.56
2014	39,453,407	20,188,619	51.17
2015	43,270,619	23,447,215	54.19
2016	45,102,720	24,800,902	54.99
2017 (Budgeted)	44,270,234	24,600,992	55.57

Source: Audited financial statements 2012 through 2016 and the adopted budget for 2017. The 2017 budgeted revenues include appropriation of fund balance.

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

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

	Fiscal Year Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town and Highway	\$51,238,443	\$50,507,987	\$52,287,569	\$52,846,593	\$52,846,593
Special Districts:					
Library	12,735,318	13,020,886	13,277,435	13,439,672	14,010,858
Lighting	1,769,938	1,699,467	1,416,770	1,597,641	1,597,641
Refuse Disposal Direct					
Benefit Assessments	11,602,692	11,706,845	12,375,229	12,750,727	13,357,509
Fire	15,667,076	16,123,658	16,511,948	16,953,436	17,189,252
Water <sup>b</sup>	380,317	382,539	401,527	425,222	435,899
Ambulance	1,309,800	1,309,960	1,301,605	1,011,223	1,011,223
County	66,035,696	71,114,992	72,551,166	74,364,366	74,066,180
School Districts	319,703,042	331,099,377	338,586,491	345,419,422	349,862,470
Special & Omitted Assessments		103,752	232,485	75,482	48,437
Out of Town Tuition	541,495	541,495	2,255,334	1,073,373	1,002,900
<b>Total Tax Levy</b>	<u>\$480,983,817</u>	<u>\$497,610,958</u>	<u>\$511,197,559</u>	<u>\$519,957,157</u>	<u>\$525,428,962</u>
Amount Collected	\$467,900,552	\$484,688,798	\$496,950,421	\$506,331,618	\$420,307,608
Uncollected Amount	13,083,265	12,922,160	14,247,138	13,625,539	105,121,354 <sup>c</sup>
Percentage	2.72%	2.60%	2.79%	2.62%	20.01%

a. See "Tax Collection Procedure" herein.  
b. Includes Water Arrears.  
c. As of June 1, 2017.  
Source: Receiver of Taxes of the Town.

## **Tax Collection Procedure**

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

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

## **Tax Levy Limit Law**

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after May 31, 2012, continuing through May 31, 2020 as extended, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations, according to the formulas set forth in Tax Levy Limit Law.

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

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

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

The 2013 through 2017 Budgets did not exceed the tax levy limitation.

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

	Fiscal Year Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax Levy:					
General Town	\$85.41	\$82.25	\$95.81	\$101.34	\$100.46
Highway	22.81	21.17	22.81	22.34	23.95
Town Outside Villages:					
General	16.85	18.32	25.20	23.52	23.11
Highway	91.48	92.34	77.44	76.11	75.71
County-General and District					
Court	18.68	19.16	18.97	18.81	18.38
County-Police	233.12	244.21	250.78	264.59	266.59
Library Special District	50.14	51.51	52.70	53.49	55.82

**Selected Listing of Large Taxable Properties**  
2016 Assessment Roll<sup>a</sup>

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
State of New York <sup>b</sup>	Parkland	\$3,352,725
State of New York <sup>b</sup>	Parkland	839,755
Smithtown Galleria Association	Apartments	730,000
State of New York	Parkland	724,588
LIPA	Utility	638,725
State of New York <sup>b</sup>	Parkland	567,882
Commack Marketing	Shopping Center	517,280
Arlona LTD Partnership	Shopping Center	516,620
Commack Shopping Center	Shopping Center	474,783
Mall at Smith Haven, LLC.	Regional Shopping Center	472,303
LIPA	Utility	459,547
UA Properties	Office Building	400,000
LIPA	Utility	374,683
LIPA	Utility	353,880
LIPA	Utility	342,877
Groton Owners, LLC	Apartments	310,600
Long Island Lighting Co.	Utility	302,058
PJ Venture F. G. LLC.	Large Retail Outlets	301,075
Target Corporation	Large Retail	287,500
Long Island Lighting Co.	Utility	275,194
	Total <sup>c</sup>	<u><u>\$12,242,075</u></u>

a. Assessment Roll established in 2016 for levy and collection of taxes during 2017 Fiscal Year.

b. New York State Parkland is taxable for school purposes only.

c. Represents approximately 5.02% of the total taxable assessed valuation of the Town for 2017.

## **Tax Certiorari Claims**

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

## **LITIGATION**

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

## **TAX MATTERS**

### **Opinion of Bond Counsel**

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

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion 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 Bonds, 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 Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

## **Certain Collateral Federal Tax Consequences**

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

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

### **Original Issue Discount**

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

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

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

### **Bond Premium**

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

## **Information Reporting and Backup Withholding**

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

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

## **Miscellaneous**

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

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

## **LEGAL MATTERS**

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

## **DISCLOSURE UNDERTAKING**

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

## **BOND RATING**

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

## MUNICIPAL ADVISOR

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

## ADDITIONAL INFORMATION

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

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

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

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

TOWN OF SMITHTOWN, NEW YORK

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

September , 2017

**APPENDIX A**

**FINANCIAL INFORMATION**

**Balance Sheets**  
**Governmental Funds**  
**Fiscal Year Ending December 31, 2016**

	<u>General Townwide</u>	<u>Major Highway</u>	<u>Refuse and Garbage</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds(1)</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 16,462,171	\$ 6,382,928	\$ 6,270,740	\$ 9,983,135	\$ 7,088,157
Restricted Cash	73,638				316,506
Prepays	1,157,748	651,888	143,919		442,475
Accounts Receivable	1,644,865	10,903	1,349	7,199	1,015,341
Inventory		813,112			
Due from Other Governments	2,089,959	44,728	44,481	165,638	355,129
Due from Other Funds	172,488	12,157	16,775		74,117
	<u>\$ 21,600,869</u>	<u>\$ 7,915,716</u>	<u>\$ 6,477,264</u>	<u>\$ 10,155,972</u>	<u>\$ 9,291,725</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ 2,106,168	\$ 645,279	\$ 1,678,442	\$ 920,122	\$ 740,079
Due to Other Funds	29,121			228,902	17,514
Other Liabilities	21,138			25,000	164,415
	<u>\$ 2,156,427</u>	<u>\$ 645,279</u>	<u>\$ 1,678,442</u>	<u>\$ 1,174,024</u>	<u>\$ 922,008</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue	\$ 5,750	\$ 547,291	\$ _____	\$ _____	\$ _____
	<u>5,750</u>	<u>547,291</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ 1,157,748	\$ 1,465,000	\$ 143,919	\$ _____	\$ 742,861
Restricted	337,804	1,057	68,903	6,306,151	271,068
Assigned	222,472	5,257,089	4,586,000	2,675,797	7,355,788
Unassigned	17,720,668				
	<u>\$ 19,438,692</u>	<u>\$ 6,723,146</u>	<u>\$ 4,798,822</u>	<u>\$ 8,981,948</u>	<u>\$ 8,369,717</u>
Total Liabilities, Deferred Inflows and Fund Balances (Deficits)	<u>\$ 21,600,869</u>	<u>\$ 7,915,716</u>	<u>\$ 6,477,264</u>	<u>\$ 10,155,972</u>	<u>\$ 9,291,725</u>

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

Sources: Audited Financial Statement of the Town (2016)

NOTE: This schedule NOT audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 19,265,052	\$ 20,995,645	\$ 20,188,619	\$ 23,447,215	\$ 24,800,902
Real Property Tax Items	352,371	459,144	499,462	472,556	495,601
Non Property Tax Items	2,174,931	2,289,837	2,469,484	2,590,482	2,778,370
Intergovernmental Charges	341,548	408,859	459,647	528,972	568,260
Use of Money & Property	217,073	413,381	316,908	219,914	372,118
Departmental Income	9,405,633	9,451,008	9,736,189	9,939,096	9,730,224
Licenses and Permits	125,476	162,402	165,802	109,890	137,198
Fines and Forfeitures	153,477	149,936	205,502	191,892	201,448
Sale of Property & Compensation for Loss	946,563	8,010	308,154	323,527	4,867
Miscellaneous Local Sources	70,486	48,480	114,484	54,494	68,046
Interfund Revenues	840,551	53,763	1,000		
State Aid	5,077,193	5,743,258	4,638,892	5,050,259	5,539,298
Federal Aid	392,646	540,078	349,264	342,322	406,388
<b>Total Revenues</b>	<u>39,363,000</u>	<u>40,723,801</u>	<u>39,453,407</u>	<u>43,270,619</u>	<u>45,102,720</u>
<b>Expenditures:</b>					
General Government Support	10,451,814	10,593,719	11,239,762	11,594,062	12,163,490
Public Safety	2,749,724	3,010,383	2,813,234	3,053,934	3,301,100
Health	872,649	904,035	906,062	908,314	894,913
Transportation	884,041	955,354	943,581	881,957	863,191
Econ. Assistance & Opportunity	1,725	645	665	640	640
Culture & Recreation	5,929,902	6,021,410	6,206,104	6,439,618	6,700,575
Home & Community Service	6,148,445	5,198,450	5,454,108	5,352,475	5,251,165
Employee Benefits	11,126,763	11,096,668	10,339,169	10,463,672	11,027,812
Debt Service	2,441,061	2,319,854	2,471,840	2,350,389	1,849,055
<b>Total Expenditures</b>	<u>40,606,124</u>	<u>40,100,518</u>	<u>40,374,525</u>	<u>41,045,061</u>	<u>42,051,941</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,243,124)</u>	<u>623,283</u>	<u>(921,118)</u>	<u>2,225,558</u>	<u>3,050,779</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In		71,273	124,401	246,965	135,484
Operating Transfers Out	(734,044)	(255,600)	(70,000)	(994,000)	(913,000)
Premium on Debt Issuance		45,586		27,571	40,034
<b>Total Other Sources (Uses)</b>	<u>(734,044)</u>	<u>(138,741)</u>	<u>54,401</u>	<u>(719,464)</u>	<u>(737,482)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,977,168)</u>	<u>484,542</u>	<u>(866,717)</u>	<u>1,506,094</u>	<u>2,313,297</u>
Fund Balance Beginning of Year	16,620,842	16,001,476	16,486,018	15,619,301	17,125,395
Adjustments	1,357,802				
<b>Fund Balance End of Year</b>	<u><u>\$ 16,001,476</u></u>	<u><u>\$ 16,486,018</u></u>	<u><u>\$ 15,619,301</u></u>	<u><u>\$ 17,125,395</u></u>	<u><u>\$ 19,438,692</u></u>

Sources: Audited Financial Statements of the Town (2012-2016)

NOTE: This schedule NOT audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 428,378	\$ 450,483	\$ 450,483	\$ 449,653	\$ 460,488
Intergovernmental Charges		1,268,905	876,268	233,412	187,835
Sale of Properties and Comp. for Loss		58,430		8,572	694
Interfund Revenues			14		4,278
Miscellaneous	43,257	36,347	28,640	23,547	20,541
Use of Money & Property	10,327,830	11,064,561	11,075,389	11,810,419	12,188,221
Departmental Income	24,953	11,900	11,900	15,984	15,694
State Aid		2,693			
Federal Aid					
<b>Total Revenues</b>	<u>10,824,418</u>	<u>12,893,319</u>	<u>12,442,694</u>	<u>12,541,587</u>	<u>12,877,751</u>
<b>Expenditures:</b>					
Home & Community Service	7,951,390	12,338,707	11,578,295	12,013,723	11,988,819
Employee Benefits		1,235,190	1,122,088	1,160,934	1,277,182
Debt Service			24,059	73,936	176,203
<b>Total Expenditures</b>	<u>7,951,390</u>	<u>13,573,897</u>	<u>12,724,442</u>	<u>13,248,593</u>	<u>13,442,204</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,873,028</u>	<u>(680,578)</u>	<u>(281,748)</u>	<u>(707,006)</u>	<u>(564,453)</u>
<b>Other Financing Uses:</b>					
Operating Transfers (Out) In		(40,000)	(272,680)	128,820	22,839
Premium on Debt Issuance		32,679		330	749
<b>Total Other Financing Sources (Uses)</b>		<u>(7,321)</u>	<u>(272,680)</u>	<u>129,150</u>	<u>23,588</u>
Excess (Deficiency) of Revenues over Expenditures Other Sources Over (Under) Expenditures and Other Uses	2,873,028	(687,899)	(554,428)	(577,856)	(540,865)
Fund Balance Beginning of Year	4,210,418	7,159,870	6,471,971	5,917,543	5,339,687
Prior Period Restatement	76,424				
<b>Fund Balance End of Year</b>	<u>\$ 7,159,870</u>	<u>\$ 6,471,971</u>	<u>\$ 5,917,543</u>	<u>\$ 5,339,687</u>	<u>\$ 4,798,822</u>

Sources: Audited Financial Statements of the Town (2012-2016)

NOTE: This schedule NOT audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 26,515,304	\$ 26,410,640	\$ 26,160,759	\$ 23,139,456	\$ 22,717,211
Real Property Tax Items	255,085	235,455	273,001	285,088	286,977
Intergovernmental Charges	24,947	58,182	80,421	25,432	9,916
Departmental Income					
Use of Money & Property	51,838	38,254	19,561	13,540	23,894
Sale of Property & Compensation for Loss	38,550	1,058	193,199	6,384	47,943
Licenses and Permits	30,000	39,150	66,825	60,975	54,400
Miscellaneous Local Sources		89	1,439	440	8,872
Interfund Revenue			272	1,296,679	1,220,861
Federal Aid	6,179,268	505,047	343,620	2,672	
State Aid	892,659	1,010,891	1,166,200	2,013,469	1,342,085
<b>Total Revenues</b>	<u>33,987,651</u>	<u>28,298,766</u>	<u>28,305,297</u>	<u>26,844,135</u>	<u>25,712,159</u>
Expenditures:					
Transportation	26,698,149	22,372,006	16,493,648	14,564,158	13,552,403
Employee Benefits	5,928,707	6,701,091	7,381,186	6,789,001	6,936,792
Debt Service	164,966	165,030	660,154	773,143	918,143
<b>Total Expenditures</b>	<u>32,791,822</u>	<u>29,238,127</u>	<u>24,534,988</u>	<u>22,126,302</u>	<u>21,407,338</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,195,829</u>	<u>(939,361)</u>	<u>3,770,309</u>	<u>4,717,833</u>	<u>4,304,821</u>
Other Sources (Uses)					
Operating Transfers In	497,000	350,000	1,497,267		16,800
Operating Transfers Out	(181,231)		(6,650,000)	(5,150,000)	(4,395,000)
Premium on Debt Issuance		145,270		7,382	25,794
Assigned: Total Other Sources (Uses)	<u>315,769</u>	<u>495,270</u>	<u>(5,152,733)</u>	<u>(5,142,618)</u>	<u>(4,352,406)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,511,598	(444,091)	(1,382,424)	(424,785)	(47,585)
Fund Balance Beginning of Year	3,330,291	9,022,031	8,577,940	7,195,516	6,770,731
Fund Balance from Non-Major Highway Reclassified to Major Highway	2,609,708				
Prior Period Adjustments	1,570,434				
<b>Fund Balance End of Year</b>	<u>\$ 9,022,031</u>	<u>\$ 8,577,940</u>	<u>\$ 7,195,516</u>	<u>\$ 6,770,731</u>	<u>\$ 6,723,146</u>

\*Beginning in the Fiscal Year Ending December 31, 2012, the financial statements of the Town reflect the reclassification of the Highway Funds. The Part-Town and Town-Wide Highway Funds have been combined into the Major Highway Fund.

Sources: Audited Financial Statements of the Town (2012-2016)

NOTE: This schedule NOT audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>					
Use of Money & Property	\$ 14,693	\$ 56	\$ 46	\$ 16	
Intergovernmental Charges	9,752				
Sale of Property & Compensation for Loss	47,900				
Miscellaneous Local Sources	252,664		33,436	423,314	49,963
Interfund Revenues					
State Aid	222,495	113,529		456,346	
Federal Aid	99,499	1,239,832	626,038	91,641	81,905
<b>Total Revenues</b>	<u>647,003</u>	<u>1,353,417</u>	<u>659,520</u>	<u>971,317</u>	<u>131,868</u>
<b>Expenditures:</b>					
Capital Outlay	3,153,059	4,030,727	10,357,977	9,136,987	10,078,971
Debt Service	83,382				
<b>Total Expenditures</b>	<u>3,236,441</u>	<u>4,030,727</u>	<u>10,357,977</u>	<u>9,136,987</u>	<u>10,078,971</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,589,438)</u>	<u>(2,677,310)</u>	<u>(9,698,457)</u>	<u>(8,165,670)</u>	<u>(9,947,103)</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In	1,086,079	295,600	7,033,000	6,215,140	5,295,000
Operating Transfers Out	(525,210)	(421,273)	(1,738,837)	(405,945)	(431,700)
Debt Proceeds		6,742,200		5,770,710	5,365,000
Capital Lease Proceeds		402,000		1,705,000	
Assigned: Total Other Sources (Uses)	<u>560,869</u>	<u>7,018,527</u>	<u>5,294,163</u>	<u>13,284,905</u>	<u>10,228,300</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,028,569)</u>	<u>4,341,217</u>	<u>(4,404,294)</u>	<u>5,119,235</u>	<u>281,197</u>
Fund Balance Beginning of Year	5,673,161	3,644,593	7,985,810	3,581,516	8,700,751
Prior Period Restatement	<u>1</u>				
Fund Balance End of Year	<u>\$ 3,644,593</u>	<u>\$ 7,985,810</u>	<u>\$ 3,581,516</u>	<u>\$ 8,700,751</u>	<u>\$ 8,981,948</u>

Sources: Audited Financial Statements of the Town (2012-2016)

NOTE: This schedule NOT audited

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 6,775,750	\$ 6,960,349	\$ 7,216,536	\$ 8,461,623	\$ 7,979,886
Real Property Tax Items	97,065	92,924	107,153	144,118	146,269
Departmental Income	4,715,978	4,532,491	4,750,437	5,179,292	5,418,354
Intergovernmental Charges	23,746	25,520	36,075	31,930	29,505
Use of Money & Property	64,306	47,540	31,541	24,515	28,243
Licenses and Permits	1,968,831	1,820,875	1,620,426	1,731,698	1,779,697
Sale of Property & Compensation for Loss	235,351	193,751	240,583	659,434	203,694
Miscellaneous Local Sources	534,688	625,164	663,308	650,539	807,206
Interfund Revenues	148,646	146,978	74,835	18,650	73,341
State Aid	285,000	285,000	285,000	319,128	328,780
Federal Aid	1,448,054	2,025,176	1,446,511	1,370,704	1,683,314
<b>Total Revenues</b>	<b>16,297,415</b>	<b>16,755,768</b>	<b>16,472,405</b>	<b>18,591,631</b>	<b>18,478,289</b>
<b>Expenditures:</b>					
General Government Support	195,621	790,345	627,757	594,429	139,740
Public Safety	3,036,126	3,088,987	3,206,560	3,276,641	3,141,423
Transportation	1,529,285	1,572,494	1,361,949	1,361,674	1,104,928
Health	1,291,509	1,327,916	1,428,761	1,380,183	1,123,300
Culture and Recreation	470,335	457,297	429,298	396,083	381,650
Home & Community Service	6,293,462	6,689,257	6,468,837	6,787,622	7,087,936
Employee Benefits	4,274,422	4,425,385	4,548,063	4,777,372	4,465,740
Debt Service	295,041	189,954	227,230	300,014	350,462
<b>Total Expenditures</b>	<b>17,385,801</b>	<b>18,541,635</b>	<b>18,298,455</b>	<b>18,874,018</b>	<b>17,795,179</b>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,088,386)</u>	<u>(1,785,867)</u>	<u>(1,826,050)</u>	<u>(282,387)</u>	<u>683,110</u>
<b>Other Sources (Uses)</b>					
Operating Transfers In			94,849	41,160	269,577
Operating Transfers Out	(142,594)		(18,000)	(82,140)	
Premium on Debt Issuance		51,078		51,665	12,624
<b>Total Other Sources (Uses)</b>	<u>(142,594)</u>	<u>51,078</u>	<u>76,849</u>	<u>10,685</u>	<u>282,201</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,230,980)	(1,734,789)	(1,749,201)	(271,702)	965,311
Fund Balance Beginning of Year	13,249,035	11,160,098	9,425,309	7,676,108	7,404,406
Fund Balance from Proprietary Funds Restated as Governmental Funds	1,672,317				
Fund Balance from Non-Major Highway Reclassified to Major Highway	(2,609,708)				
Prior Period Adjustments	79,434				
<b>Fund Balance End of Year</b>	<u>\$ 11,160,098</u>	<u>\$ 9,425,309</u>	<u>\$ 7,676,108</u>	<u>\$ 7,404,406</u>	<u>\$ 8,369,717</u>

Includes General Town Outside Village, Community Development, Risk Retention, Lighting and Ambulance

Beginning in Fiscal Year Ending December 31, 2012, the Nonmajor Governmental Funds also include the Water Districts, the Paul J. Fitzpatrick Country Club, and the Permanent Fund.

\*Beginning in the Fiscal Year Ending December 31, 2012, the financial statements of the Town reflect the reclassification of the Highway Funds. The Part-Town and Town-Wide Highway Funds have been combined into the Major Highway Fund.

Sources: Audited Financial Statements of the Town (2012-2016)

NOTE: This schedule NOT audited

Town of Smithtown

**2016 ADOPTED BUDGET - FUND SUMMARIES**

	<u>Appropriation</u>	Less: <u>Estimated Revenue</u>	Less: <u>State Aid</u>	Less: <u>Appropriated Fund Balance</u>	Less: <u>Application of Reserves</u>	Amount of <u>Tax Levy</u>
General Fund	\$ 43,703,425	\$ 13,895,774	\$ 4,981,679		\$ 25,070	\$ 24,800,902
General Fund - Part Town	7,965,289	2,201,806	435,003			5,328,480
Highway Fund I - Repairs & Impvts	20,356,605	1,530,647	1,079,102	500,000		17,246,856
Highway Fund III - Machinery	4,290,721	264,874			3,492	4,022,355
Highway Fund IV - Snow & Misc	1,450,000	2,000				1,448,000
Commack Ambulance District	698,596	10,434				688,162
Hauppauge Ambulance District	382,645	47,041		12,543		323,061
Street Lighting District	983,291	11,447			233	971,611
Arterial Highway District	638,483	12,453				626,030
Sol Waste/Res Coll/ Disp Impvt	14,491,980	12,880,000	15,700	1,523,830	72,450	
Paul J. Fitzpatrick Country Club	510,001	510,001				
Smithtown Water District	2,476,289	2,449,747				26,542
St. James Water District	1,598,533	1,598,533				
1987 Water Supply District	14,500	0		4,000		10,500
1989 Water Supply District	6,000	0		500		5,500
Community Development Fund	205,000	205,000				
Section Eight Vouchers	1,275,000	1,275,000				
	<u>\$ 101,046,358</u>	<u>\$ 36,894,757</u>	<u>\$ 6,511,484</u>	<u>\$ 2,040,873</u>	<u>\$ 101,245</u>	<u>\$ 55,497,999</u>

Source: 2016 Adopted Budget of the Town

**2017 ADOPTED BUDGET - FUND SUMMARIES**

	<u>Appropriation</u>	Less: <u>Estimated Revenue</u>	Less: <u>State Aid</u>	Less: <u>Appropriated Fund Balance</u>	Less: <u>Application of Reserves</u>	Amount of <u>Tax Levy</u>
General Fund	\$ 44,270,234	\$ 14,458,124	\$ 5,059,132	\$	\$ 151,986	\$ 24,600,992
General Fund - Part Town	7,871,782	2,275,026	361,500			5,235,256
Highway Fund I - Repairs & Impvts	20,463,465	1,558,103	1,157,000	600,000		17,148,362
Highway Fund III - Machinery	4,559,223	145,240				4,413,983
Highway Fund IV - Snow & Misc	1,450,000	2,000				1,448,000
Commack Ambulance District	698,925	10,763				688,162
Hauppauge Ambulance District	382,645	52,170		7,414		323,061
Street Lighting District	1,197,110	11,499			234,000	951,611
Arterial Highway District	680,538	14,508			20,000	646,030
Sol Waste/Res Coll/ Disp Impvt	14,639,603	13,455,000	15,700	1,100,000	68,903	
Paul J. Fitzpatrick Country Club	521,850	521,850				
Smithtown Water District	2,741,687	2,715,145				26,542
St. James Water District	1,846,109	1,846,109				
1987 Water Supply District	10,500					10,500
1989 Water Supply District	5,500					5,500
Community Development Fund	353,355	353,355				
Section Eight Vouchers	1,562,953	1,562,953				
	<u>\$ 103,255,479</u>	<u>\$ 38,981,845</u>	<u>\$ 6,593,332</u>	<u>\$ 1,707,414</u>	<u>\$ 474,889</u>	<u>\$ 55,497,999</u>

Source: 2017 Adopted Budget of the Town

**TOWN OF SMITHTOWN**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 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. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

Hawkins Delafield & Wood LLP  
28 Liberty Street  
New York, New York 10005

September 26, 2017

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Smithtown (the “Town”), in the County of Suffolk, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$4,086,390 Public Improvement Serial Bonds-2017 (the “Bonds”), dated and delivered on the date hereof.

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

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

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax 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 which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the

requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Town will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that 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 Bonds will, for federal income tax purposes, be excluded from gross income.

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

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

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal, state or local tax consequences with respect to the Bonds 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 interest on the Bonds, 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 Bonds, 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 adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

## UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

### Section 1. Definitions

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

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

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

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

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

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of September 5, 2017.

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

“Securities” shall mean the Issuer’s **\$4,086,390 PUBLIC IMPROVEMENT SERIAL BONDS-2017**, dated September 26, 2017, maturing in various principal amounts on March 15 in each of the years 2018 to 2032, inclusive, and delivered on the date hereof.

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

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2017, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to

the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of September 26, 2017.

TOWN OF SMITHTOWN

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