

OFFICIAL STATEMENT DATED DECEMBER 3, 2018

NEW ISSUES
SERIAL BONDS – BOOK ENTRY OR REGISTERED BONDS

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

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

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

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

\$37,411,700* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES A
(the “Series A Bonds”)

AND

\$21,777,000* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES B
(the “Series B Bonds” together with the Series A Bonds, the “Bonds”)

BOND MATURITY SCHEDULE
(See Inside Front Cover)

Security and Sources of Payment: The Bonds are general obligations of the Town of Brookhaven, Suffolk County, New York 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 Laws of 2011, as amended. (See “Tax Increase Procedural Limitation Legislation” 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, as a whole or in part, on any date on or after September 15, 2025. (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 in 2020. Bondholders will not receive certificates representing their respective interests in the Bonds purchased. See “Book-entry 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 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.

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

The Bonds are offered when, as and if issued and received by the purchasers and subject to the receipt of the legal opinion as to the validity of the Bonds of Norton Rose Fulbright US LLP, Bond Counsel, and certain other conditions. It is anticipated that the Bonds will be available for delivery in New York, New York, or at such place as may be agreed upon by the Town and the purchasers on or about December 19, 2018.

THE TOWN DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE RULE). FOR A DESCRIPTION OF THE TOWN’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING,” HEREIN.

*Preliminary, subject to change.

TOWN OF BROOKHAVEN
SUFFOLK COUNTY, NEW YORK

\$37,411,700* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES A
MATURITIES, RATES AND YIELDS

Dated: December 19, 2018

Principal Due: September 15, 2020-2030, inclusive
Interest Due: March 15, 2019, September 15, 2019 and
semi-annually thereafter in each year to
maturity

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>CUSIP #</u>
2020	\$2,921,700			
2021	3,010,000			
2022	3,100,000			
2023	3,195,000			
2024	3,290,000			
2025	3,385,000			
2026	3,485,000**			
2027	3,590,000**			
2028	3,700,000**			
2029	3,810,000**			
2030	3,925,000**			

\$21,777,000* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES B
MATURITIES, RATES AND YIELDS

Dated: December 19, 2018

Principal Due: September 15, 2020-2038, inclusive
Interest Due: March 15, 2019, September 15, 2019 and
semi-annually thereafter in each year to
maturity

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>CUSIP #</u>
2020	\$ 827,000			
2021	855,000			
2022	885,000			
2023	920,000			
2024	950,000			
2025	985,000			
2026	1,020,000**			
2027	1,055,000**			
2028	1,090,000**			
2029	1,125,000**			
2030	1,165,000**			
2031	1,205,000**			
2032	1,245,000**			
2033	1,290,000**			
2034	1,335,000**			
2035	1,380,000**			
2036	1,430,000**			
2037	1,480,000**			
2038	1,535,000**			

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

**Subject for redemption prior to maturity. See "Optional Redemption" for the Bonds, herein.



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

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TOWN BOARD

Edward P. Romaine, Supervisor

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

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

* * *

BOND COUNSEL

Norton Rose Fulbright US LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

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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 foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds 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.

TABLE OF CONTENTS

	Page
THE BONDS	1
DESCRIPTION OF THE SERIES A BONDS.....	1
OPTIONAL REDEMPTION FOR THE SERIES A BONDS	1
AUTHORIZATION AND PURPOSE FOR THE SERIES A BONDS	2
DESCRIPTION OF THE SERIES B BONDS.....	2
OPTIONAL REDEMPTION FOR THE SERIES B BONDS.....	3
AUTHORIZATION AND PURPOSE FOR THE SERIES B BONDS	3
BOOK-ENTRY SYSTEM	3
SECURITY AND SOURCE OF PAYMENT	5
ENFORCEMENT OF REMEDIES UPON DEFAULT	5
THE TOWN	7
TRANSPORTATION	7
UTILITIES AND OTHER SERVICES.....	8
HEALTHCARE	8
EDUCATION	8
RECREATION	9
ECONOMIC DEVELOPMENT.....	9
BUILDING PERMIT ACTIVITY	11
GOVERNMENTAL ORGANIZATION.....	11
FINANCIAL ORGANIZATION	11
TOWN MANAGEMENT BIOGRAPHIES	12
EMPLOYEES.....	13
ECONOMIC AND DEMOGRAPHIC INFORMATION	13
POPULATION CHARACTERISTICS	13
INCOME DATA	13
UNEMPLOYMENT RATES.....	14
SELECTED LISTING OF LARGER EMPLOYERS	14
INDEBTEDNESS OF THE TOWN	14
CONSTITUTIONAL AND STATUTORY REQUIREMENTS.....	14
STATUTORY PROCEDURE.....	15
COMPUTATION OF DEBT LIMIT AND CALCULATION OF NET DEBT CONTRACTING MARGIN	16
DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING	17
DEBT SERVICE REQUIREMENTS - OUTSTANDING BONDS.....	17
TREND OF TOWN INDEBTEDNESS.....	18
AUTHORIZED BUT UNISSUED DEBT.....	18
CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS	19
DEBT RATIOS	19
DISSOLUTION OF THE VILLAGE OF MASTIC BEACH	19
FINANCES OF THE TOWN	20
FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES	20
<i>Fund Structure and Accounts</i>	20
<i>Basis of Accounting</i>	20
INVESTMENT POLICY.....	20
FINANCIAL OPERATIONS	21

TABLE OF CONTENTS - CONTINUED

	Page
THE STATE COMPTROLLER’S FISCAL STRESS MONITORING SYSTEM	22
2013 RESULTS OF OPERATIONS	22
2014 RESULTS OF OPERATIONS	22
2015 RESULTS OF OPERATIONS	23
2016 RESULTS OF OPERATIONS	23
2017 RESULTS OF OPERATIONS	23
FUND BALANCE POLICIES AND RESERVES	23
BUDGETARY PROCEDURE	23
SUMMARY OF 2019 TOWN BUDGET	24
SUMMARY OF 2018 TOWN BUDGET	25
CAPITAL PLANS AND BUDGETING	25
ADOPTED CAPITAL BUDGET SUMMARY 2019-2023	26
REVENUES	26
<i>Real Property Taxes</i>	26
RECYCLING AND SUSTAINABLE MATERIALS MANAGEMENT	27
STATE AID	27
EXPENDITURES	28
OPERATING BUDGET LIMITATIONS	28
PENSION SYSTEMS	28
REQUIRED CONTRIBUTIONS TO THE NYS RETIREMENT SYSTEMS	29
OTHER POST-EMPLOYMENT BENEFITS	30
REAL PROPERTY TAX INFORMATION	31
REAL PROPERTY TAXES	31
TAX COLLECTION PROCEDURE	31
TAX LEVY COLLECTION RECORD AND TAX RATES	32
TOWN OF BROOKHAVEN TAX WARRANT COMPONENTS	33
PROPERTY TAX REVENUE LIMITATION	34
TAX INCREASE PROCEDURAL LIMITATION LEGISLATION	34
SELECTED LISTING OF LARGE TAXABLE PROPERTIES	35
TAX CERTIORARI CLAIMS	35
LITIGATION AND OTHER PROCEEDINGS	36
OTHER LITIGATION	36
RISK FACTORS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE	36
ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING	37
TAX MATTERS	37
TAX EXEMPTION	37
TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN OBLIGATIONS	38
LEGAL MATTERS	39
RATING	39
MUNICIPAL ADVISOR	39
ADDITIONAL INFORMATION	39
APPENDIX A: FINANCIAL INFORMATION	
APPENDIX B: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017	
APPENDIX C: FORM OF ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX D: FORM OF OPINIONS OF NORTON ROSE FULBRIGHT US LLP	

OFFICIAL STATEMENT

TOWN OF BROOKHAVEN SUFFOLK COUNTY, NEW YORK

**\$37,411,700* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES A
AND**

\$21,777,000* PUBLIC IMPROVEMENT (SERIAL) BONDS – 2018 SERIES B

[BOOK-ENTRY BONDS]

This Official Statement and the appendices hereto present certain information relating to the Town of Brookhaven, in the County of Suffolk, in the State of New York (the “Town,” “County” and “State,” respectively) in connection with the sale of \$37,411,700* Public Improvement (Serial) Bonds – 2018 Series A (the “Series A Bonds”) and \$21,777,000* Public Improvement (Serial) Bonds – 2018 Series B (the “Series B Bonds”). The Series A and Series B Bonds are collectively referred to herein as the “Bonds”.

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

THE BONDS

Description of the Series A Bonds

The Series A Bonds will be dated December 19, 2018, and will mature on September 15 in each of the years 2020 to 2030, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Series A 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 Series A Bonds may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd demonization in 2020. For Series A Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Series A Bonds purchased. See “Book-entry System” herein.

Interest on the Series A Bonds will be payable on March 15, 2019, September 15, 2019 and semi-annually thereafter in each year to maturity. For Series A 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 Series A Bonds, as described herein. The Series A Bonds may be transferred in the manner described on the Series A Bonds and as referenced in certain proceedings of the Town referred to therein.

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

The Town Comptroller will act as Paying Agent for the Series A Bonds. Paying agent fees, if any, will be paid by the purchaser. The Town’s contact information is as follows: Tamara Branson-Werner, Commissioner of Finance of the Town, Town of Brookhaven, Department of Finance - 3rd Floor, One Independence Hill, Farmingville, New York 11738, telephone number 631/451-6680 and email: tbranson@brookhaven.org.

Optional Redemption for the Series A Bonds

The Series A Bonds maturing on or before September 15, 2025 will not be subject to redemption prior to maturity. The Series A 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 par plus accrued interest to the date of redemption.

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

*Preliminary, subject to change.

Authorization and Purpose for the Series A Bonds

The Series A Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Town Law and the Local Finance Law, and various bond resolutions duly adopted by the Town Board on their respective dates, authorizing the issuance of serial bonds for various capital purposes in and for the Town.

Such purposes, and the respective principal amounts of Series A Bonds to be issued for each, are as follows:

<u>Date</u> <u>Authorized</u>	<u>TBR #</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Issued To</u> <u>Date</u>	<u>Amount To</u> <u>Be Issued</u>
12/16/2014	2014-880	Moriches Bay Rec Center Improvements	\$ 250,000	\$200,000	\$50,000
05/07/2015	2015-0361	Town-Wide Facility Improvements	700,000	200,000	500,000
12/03/2015	2015-0817	Departmental Technology Improvements	1,500,000	750,000	750,000
12/03/2015	2015-0822	Acquisition of a Tow Vessel Workboat	760,000	500,000	199,200
12/03/2015	2015-0847	Patchogue River East Jetty Improvements	400,000	56,000	300,000
11/17/2016	2016-0904	Street Lighting Improvements - Wire Replacement	250,000	-	250,000
03/23/2017	2017-0261	Street Lighting Projects and Installation of Signs	850,000	-	850,000
09/28/2017	2017-0763	Retrofit Implementation Plan - Water Quality	62,500	-	62,500
11/30/2017	2017-0879	Moriches Bay Rec Center Improvements	1,500,000	-	850,000
12/19/2017	2017-0904	Installation of Traffic Signals	500,000	-	500,000
12/19/2017	2017-0905	Road Improvements and Resurfacing	11,800,000	-	11,800,000
12/19/2017	2017-0906	Marina and Dock Improvements	300,000	-	300,000
12/19/2017	2017-0907	Acquisition of Machinery and Equipment	1,600,000	-	1,600,000
12/19/2001	2017-0908	Cell 5 and 6 Capping - Phases F & G	5,350,000	-	5,350,000
12/16/2017	2017-0911	Installation of Traffic Signs	100,000	-	100,000
12/19/2017	2017-0912	Park Improvements	5,200,000	-	3,400,000
12/19/2017	2017-0914	Facility Improvements	3,800,000	-	3,200,000
12/19/2017	2017-0915	Drainage Improvements	1,950,000	-	1,950,000
01/25/2018	2018-0109	Cell 5 and 6 Capping	4,000,000	-	4,000,000
01/28/2018	2018-0122	Installation of Street Lights	800,000	-	800,000
03/22/2018	2018-0277	Town Wide Lighting Improvements	4,000,000	-	600,000
Total			<u>\$45,672,500</u>	<u>\$1,706,000</u>	<u>\$37,411,700</u>

Description of the Series B Bonds

The Series B Bonds will be dated December 19, 2018, and will mature on September 15 in each of the years 2020 to 2038, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Series B 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 Series B Bonds may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd demonization in 2020. For Series B Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Series B Bonds purchased. See "Book-entry System" herein.

Interest on the Series B Bonds will be payable on March 15, 2019, September 15, 2019 and semi-annually thereafter in each year to maturity. For Series B 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 Series B Bonds, as described herein. The Series B Bonds may be transferred in the manner described on the Series B Bonds and as referenced in certain proceedings of the Town referred to therein.

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

The Town Comptroller will act as Paying Agent for the Series B Bonds. Paying agent fees, if any, will be paid by the purchaser. The Town’s contact information is as follows: Tamara Branson-Werner, Commissioner of Finance of the Town, Town of Brookhaven, Department of Finance - 3rd Floor, One Independence Hill, Farmingville, New York 11738, telephone number 631/451-6680 and email: tbranson@brookhaven.org.

Optional Redemption for the Series B Bonds

The Series B Bonds maturing on or before September 15, 2025 will not be subject to redemption prior to maturity. The Series B 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 par plus accrued interest to the date of redemption.

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

Authorization and Purpose for the Series B Bonds

The Series B Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Town Law and the Local Finance Law, and various bond resolutions duly adopted by the Town Board on their respective dates, authorizing the issuance of serial bonds for various capital purposes in and for the Town.

Such purposes, and the respective principal amounts of Series B Bonds to be issued for each, are as follows:

<u>Date Authorized</u>	<u>TBR #</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued To Date</u>	<u>Amount To Be Issued</u>
10/1/2015	PH - 1A	South Country Ambulance Facility Improvements	\$13,000,000	\$ 6,000,000	\$7,000,000
12/19/2017	2017-0926	South Country Ambulance Facility Improvements	2,730,000		2,730,000
4/7/2016	2016-0298	Mastic Beach Ambulance Facility Improvements	11,025,000	6,000,000	2,500,000
10/27/2016	2016-0854	Construction of Truck Washes	2,000,000		2,000,000
11/30/2017	2017-0880	Construction of Truck Washes	1,015,000	-	1,015,000
12/19/2017	2017-0913	Land Acquisition	3,600,000	-	3,600,000
6/26/2018	2018-0533	Improvements to Cherry Grove Docks	2,932,000	-	2,932,000
Total			<u>\$36,302,000</u>	<u>\$ 12,000,000</u>	<u>\$21,777,000</u>

BOOK-ENTRY SYSTEM

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

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

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

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

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

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

Beneficial Owners of the 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 Issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof. In addition, the Town will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or notes or (iii) any notice which is permitted or required to be given to Bondowners and Noteowners.

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

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

Security and Source of Payment

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

ENFORCEMENT OF REMEDIES UPON DEFAULT

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

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

Unavailability of Remedies of Levy and Attachment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. Under the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

Constitutional Non-Appropriation Provision. The Constitution of the State, Article VIII, Section 2, contains the following provision relating to the annual appropriation of monies for the payment of principal of and interest on indebtedness of every Town, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any Town, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any owner of obligations issued for any such indebtedness." If the Town were to fail to make a required appropriation, however, the ability of affected owners of Town indebtedness to enforce this provision as written could be compromised or eliminated as described below under "Bankruptcy", "State Debt Moratorium Law" and "Possible Priority of Continuation of Essential Public Services".

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

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

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

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

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality that is insolvent, which generally means the municipality is unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors. Any plan of adjustment can be confirmed by the court over the objections of creditors if the plan is found to be "fair and equitable" and in the "best interests of creditors." The Town may be able, without the consent and over the objection of owners of the Bonds, to impair and alter the terms and provisions of the Bonds, including the payment terms, interest rate, maturity date, and payment sources, if the bankruptcy court finds that the alterations are "fair and equitable." If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

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

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

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

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

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

The Constitutional provision providing for first revenue set asides applies to the payment of interest on all indebtedness and to the payment of principal payments or bonds, but does not apply to pay payment of principal due on tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

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

THE TOWN

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

The Town, with a land area of over 259 square miles and a current estimated population of 486,179 (2017 US Census Bureau), is located in the central portion of Suffolk County approximately 60 miles east of Manhattan. It is the second largest town in the State by population and the fifth largest town in the State by land area. The south shore of the Town stretches for approximately 23 miles along the Great South Bay and the Atlantic Ocean and its north shore spans approximately 27 miles along Long Island Sound. The Town includes 8 incorporated villages and 19 independently governed school districts, and is primarily residential in character with considerable commercial development. Police protection is provided by the County and the incorporated villages; fire protection and emergency medical services are provided by local volunteer fire companies and ambulance districts. Certain independent taxing entities have the power to levy taxes upon property within the Town. The following is a list of those municipalities located within the Town:

Villages:

Belle Terre, Bellport, Lake Grove, Mastic Beach^a, Old Field, Patchogue, Poquott, Port Jefferson and Shoreham.

- a. See also "Dissolution of the Village of Mastic Beach Village" herein

School Districts:

Bayport-Blue Point^a, Brookhaven Comsewogue, Center Moriches, East Moriches, Eastport-South Manor, Fire Island, Longwood, Middle Country, Miller Place, Mount Sinai, Patchogue-Medford, Port Jefferson, Riverhead, Rocky Point, Sachem, Shoreham-Wading River^a, South Country, Three Village^a and William Floyd.

- a. Such School Districts are located in more than one town.

Fire Districts:

Bellport, Blue Point, Brookhaven, Centereach, Center Moriches, Cherry Grove, Coram, Davis Park, East Moriches, Eastport, Farmingville, Fire Island Pines, Gordon Heights, Hagerman, Holtsville, Manorville, Mastic, Mastic Beach, Medford, Middle Island, Miller Place, Mount Sinai, North Patchogue, Ocean Bay Park, Patchogue, Port Jefferson, Ridge, Rocky Point, Ronkonkoma, Selden, Setauket, Sound Beach, Stony Brook, Terryville, Wading River and Yaphank.

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

Transportation

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

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

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

Utilities and Other Services

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

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

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

Healthcare

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

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

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

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

John T. Mather Memorial Hospital is an accredited 248-bed, non-profit community hospital dedicated to providing a wide spectrum of health care services of the highest quality to the residents of Suffolk County in a cost effective manner. Mather Hospital opened its doors on December 31, 1929 as the first not-for-profit community hospital in the Town of Brookhaven with only 54 beds. Its growth has continued over the years and now serves approximately 12,000 inpatients and 43,000 emergency cases a year. In December of 2017, Mather Hospital merged with Northwell Health making Mather Hospital Northwell’s 5th hospital in Suffolk County.

Education

College facilities in the Town include the State University at Stony Brook, Suffolk County Community College, and Saint Joseph’s College. Briarcliffe College and Dowling College recently ceased operations and will now be redeveloped by private companies. (See also “*Economic Development*” herein).

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

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

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

Recreation

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

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

There are six boating marinas located within the Town. They consist of the Port Jefferson Marina, Mt. Sinai Marina, Sandspit Marina, Blue Point Marina, Forge River Marina, and Davis Park Marina. Fifteen dock and boat launch facilities throughout the Town allow residents to participate in activities such as fishing, boating, swimming, kayaking, and other water sports and activities. Stretching along the north and south shores, the Town has eight beaches that offer a variety of amenities, such as picnic areas, playgrounds, fishing and concession stands. The beaches consist of Cedar, Corey, West Meadow, Davis Park, Great Gun, Shirley, Cedar West and Shoreham Beach.

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

Economic Development

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

The plan calls for suburban residential development and economic development of clean, light industry and service industries such as electronics and data processing, as well as funding for open space acquisitions. The Town has dedicated over \$150 million to the funding of the acquisition of land for the purpose of preserving open space over the last 10 years.

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

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

There are now some 24,000 businesses in the Town. The Industrial Development Agency (IDA) and Local Development Corporation (LDC) are available to assist businesses in obtaining tax incentives and bonds to help them grow and remain within the Town, generating tax revenue and jobs. In 2017, the IDA/LDC closed on 20 economic development projects – which included manufacturing, solar projects, and retirement communities, creating more than 4,000 permanent and construction jobs and bringing in private investments totaling more than \$435 million into the Town.

Some of the projects that were completed in 2017 include Blue Point Brewery (Anheuser-Busch), a conversion of an existing 54,000 square foot facility, into a brewery and tasting facility; McKeon Door, a steel roll-up door manufacturer constructed a 30,000 square foot new facility (2nd manufacturing facility in Brookhaven); AVR Assisted Living, which includes the construction of a 99,000 square foot facility, for memory care and supportive care;

There are several new projects in the Town that are underway in 2018 representing \$913 million in investments and 5,600 permanent and construction jobs. These projects include, a 25,000 square foot state of the art, regional equipment hub for United Rental on 10 acres; CD Ramsay, a high-tech laboratory that specializes in producing and distributing biopharmaceutical products and compounds. CD is building a 12,000 square foot facility on 4.5 acres, in Shirley; multiple solar projects on Town of Brookhaven property (Calabro Airport and Town Hall). These solar projects will produce over 7 megawatts of electricity between the 2 locations.

Currently there are 13 IDA projects that are expected to close in 2019, which are expected to result in over \$380 million in investment and produce approximately 2,000 construction/permanent jobs.

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

One of the larger projects is the Ronkonkoma Hub development. The Ronkonkoma Hub is a mixed use development project that will result in over \$650 million of investment. The project at completion will consist of 1,450 residential units, approximately 195,000 square feet of retail, 360,000 square feet of office space and 60,000 square feet of flex space, which could include hospitality, conference and exhibition space. Currently, Phase I (approximately 450 units) is under construction. Site work is being completed and the buildings are being framed. This Phase should be completed with the units rented within the next few months.

Phase II will be comprised of mixed use of office, hotel, residential and commercial space and will be located directly west of the current construction of Phase I. Phase II will begin upon the completion of Phase I. The application for Phase II has been submitted, approved and is currently in the review process.

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

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

Stony Brook is one of the State University's largest campuses, and specializes in science, engineering and technology. The college has more than 13,000 employees on its more than 1,000-acre campus. Stony Brook is rated amount the top 100 universities in the country, and among the top 35 public universities. It has about 25,000 students and generates over \$4.5 billion in spending for the economy. Stony Brook estimates that its students and families spend approximately \$200 million on Long Island. It accounts for 4% of the Long Island economy.

Stony Brook University Hospital has added significantly to Long Island's system of healthcare. The facility has over 600 beds, 6,500 employees, 1,220 physicians and has a total estimated annual economic impact of \$2.1 billion.

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

Briarcliffe College will cease operations in December of 2018. It has been serving Long Island for more than 35 years. It offered Diplomas' Associate Degrees, and Bachelor Degree Programs. There are two additional campuses on Long Island, Bethpage, and Queens, making it convenient for all areas. Briarcliffe College also makes online programs available to those who cannot commute to the campuses. The Patchogue campus was purchased by Anheuser-Busch and after a \$35 million investment it was redeveloped into a state of the art brewery.

Dowling College has experienced financial stress over the past several years and has officially closed and withdrawn the college's accreditation effective August 31, 2016. On April 10, 2017, the sale of Dowling College's Oakdale (Town of Islip) Campus to Princeton Education Center LLC for \$26.5 million was announced and closed in July, 2017. The Brookhaven campus has been purchased by Triple Five Aviation LLC for \$14 million. Triple Five Aviation is a multinational diversified conglomerate, development and finance corporation with offices in major U.S., Canadian and global cities.

Building Permit Activity

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

Building Permits Issued - All Types

2012	-	8,422 permits
2013	-	9,067 permits
2014	-	11,344 permits
2015	-	13,214 permits
2016	-	13,109 permits
2017	-	13,100 permits

Source: Town of Brookhaven Building Division.

Governmental Organization

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

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

On November 6, 2018, a referendum was approved by the voters to extend the terms for the Supervisor and the Town Board from 2 year terms to 4 year terms and restrict the total term to 12 years. The new terms will become effective beginning with the election in November, 2019 and the terms of office commencing January 1, 2020.

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

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

Financial Organization

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

Town Management Biographies

Town Supervisor, Edward P. Romaine

Ed Romaine was re-elected as the Town's 71st Supervisor on November 7, 2017. Supervisor Romaine continues to focus on fiscal responsibility and quality of life issues for the Town. His 2018 operating and capital budgets were adopted unanimously by the Town Board and significantly reduced the reliance on surplus to balance the budgets.

In May 2015, Supervisor Romaine was appointed to the Long Island Regional Economic Development Council by Suffolk County Executive Steve Bellone. The LIRDC is a critical body which works on promoting sustainable growth and developing regional solutions to move Long Island Forward.

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

Town Attorney, Annette Eaderesto, Esq.

Ms. Eaderesto was re-appointed as Town Attorney for a third term at the Organizational meeting in January 2018. She previously served as Special Counsel to the Town since 2002. She also is Independent Counsel to the Town's Industrial Development Agency and the Local Development Corporation.

In addition to Ms. Eaderesto's responsibilities for all legal and litigation matters for the Town, she is responsible for the Town Investigations division, the board and secure and demolition of properties, and the management of the Town's Open Space program.

Prior to her appointment as Special Counsel in 2002, Ms. Eaderesto was Town Attorney from 1999 to 2002; was Deputy Town Attorney from 1996 until 1998; was a principal in the law firm of Blake & Eaderesto, P.C.; and was an Assistant Town Attorney from 1984 to 1985.

Ms. Eaderesto is a 1982 graduate of Hofstra University School of Law; is admitted to practice law in the State of New York and the Federal District Courts for the Eastern and Southern Districts of the State of New York; and has concentrated principally in the area of land use and municipal law.

Commissioner of Finance, Tamara Branson-Werner

Tamara Branson-Werner has served as Commissioner of Finance for the Town since 2012 and is responsible for a \$282 million operating budget and a \$274 million annual capital budget. She manages accounting, payroll, budgetary compliances and internal audit for the Town. Ms. Branson-Werner possess 35 years of financial management experience in the public and private sectors and has a Masters of Accountancy degree from Virginia Tech.

Prior to the Town of Brookhaven, Ms. Branson-Werner served as Comptroller for the Town of Southampton and spent sixteen years at Prudential Financial in their domestic and international securities, commodities and private banking businesses, serving a variety of roles including Chief Operating Officer for international businesses. Ms. Branson-Werner worked for Price Waterhouse Coopers for six years as a Management Consultant, and began her career as an accountant for a liberal arts college.

Employees

The Town provides services through approximately 843 full-time employees, 731 of which are represented by the Suffolk Chapter of the Civil Service Employees Association, Inc. Of the 731 civil service employees, approximately 320 are represented by the CSEA White Collar Unit, 207 are represented by the CSEA Highway Unit, and 204 are represented by the CSEA Blue Collar Unit. The Town has entered into labor agreements with the CSEA Blue Collar Unit, and White Collar Unit for an eight-year period ending December 31, 2019. The Highway Unit contract ends December 31, 2019.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

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

<u>Year</u>	<u>Town of Brookhaven</u>	<u>Suffolk County</u>	<u>New York State</u>
1970	245,260	1,127,030	18,241,391
1980	365,015	1,284,231	17,557,288
1990	407,786	1,321,864	17,990,455
2000	448,248	1,419,369	18,976,457
2010	486,040	1,493,350	19,378,102
2017	486,179	1,492,953	19,849,399

Income Data

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017^a</u>
Town of Brookhaven	\$16,726	\$24,191	\$32,663	\$38,681
County of Suffolk	18,481	26,577	35,755	41,331
State of New York	16,501	23,389	30,948	37,156

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017^a</u>
Town of Brookhaven	\$47,074	\$62,475	\$81,654	\$91,073
County of Suffolk	53,244	72,112	96,220	94,750
State of New York	39,741	51,691	67,405	64,894

Source: United States Bureau of the Census

a. Based on American Community Survey 1-Year Estimate (2017)

Unemployment Rates

<u>Annual Averages:</u>	<u>Town of Brookhaven (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2013	7.6	6.5	7.7
2014	5.3	5.3	6.4
2015	4.8	4.8	5.3
2016	4.4	4.3	4.9
2017	4.4	4.4	4.6
2018 (9 Month Average)	4.3	4.3	4.4

Source: Department of Labor, State of New York

Selected Listing of Larger Employers (As of 2017)

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number Of Employees</u>
State University at Stony Brook	Education	14,000
Stony Brook University Medical Center	Medical Center	7,500
Brookhaven National Laboratory	Laboratory	3,350
John T. Mather Hospital	Hospital	2,180
Brookhaven Memorial Hospital	Hospital	1,750
Three Village Central School District	Education	1,650
William Floyd Union Free School District	Education	1,650
St. Charles Hospital	Hospital	1,600
Zebra Technologies	Commercial	1,029
Quality King Distributors	Commercial	880
Amneal Pharmaceuticals	Commercial	681

Source: Division of Economic Development Town of Brookhaven.

INDEBTEDNESS OF THE TOWN

Constitutional and Statutory Requirements

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

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

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

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

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

Statutory Procedure

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

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

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

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

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

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

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

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

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

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

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

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of December 3, 2018)

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full Valuation</u>
2015	\$458,089,070	0.95	\$48,219,902,105
2016	456,266,738	0.95	48,028,077,684
2017	457,806,768	0.91	50,308,436,044
2018	459,319,851	0.90	51,035,539,000
2019	461,292,378	0.86	<u>53,638,648,605</u>
Total Five Year Full Valuation			\$251,230,603,438
Average Five Year Full Valuation			50,246,120,688
Debt Limit - 7% of Average Full Valuation			3,517,228,448
Inclusions:			
Outstanding Bonds:			
Various Purpose Bond			488,187,400
Refunded Bonds			20,300,000
Bonds Escrowed to Maturity ^a			705,000
Open Space Bonds Act of 2004 ^b			<u>51,575,000</u>
Sub-Total			560,767,400
Bond Anticipation Notes			<u>0</u>
Total Inclusions			<u>560,767,400</u>
Exclusions:			
Appropriations			825,000
Cash on Hand for Escrowed Bonds ^a			705,000
Cash on Hand for Refunded Bonds			<u>20,300,000</u>
Total Exclusions			21,830,000
Total Net Indebtedness Before Issuing the Bonds			<u>538,937,400</u>
The Bonds			59,188,700
Less: BANs to be Redeemed by the Bonds			<u>0</u>
Net Effect of the Bonds			<u>59,188,700</u>
Total Net Indebtedness After Issuing the Bonds			598,126,100
Net Debt Contracting Margin			<u><u>\$2,919,102,348</u></u>
Percent of Debt Limit Exhausted			17.01%

a. Following the dissolution of the Village of Mastic Beach, the Town took over the responsibilities of the Village's debt obligations. (See "*Dissolution of the Village of Mastic Beach*" herein)

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

Details of Short-Term Indebtedness Outstanding

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

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$47,719,300	\$22,428,618	\$70,147,918
2019	51,402,400	19,443,595	70,845,995
2020	52,725,000	17,443,391	70,168,391
2021	52,910,000	15,450,133	68,360,133
2022	53,445,000	13,434,856	66,879,856
2023	54,010,000	11,389,988	65,399,988
2024	52,395,000	9,332,867	61,727,867
2025	50,960,000	7,353,802	58,313,802
2026	51,645,000	5,461,118	57,106,118
2027	52,470,000	3,454,755	55,924,755
2028	29,230,000	1,925,025	31,155,025
2029	16,785,000	1,116,334	17,901,334
2030	7,590,000	625,203	8,215,203
2031	2,965,000	427,168	3,392,168
2032	1,800,000	295,514	2,095,514
2033	1,855,000	238,445	2,093,445
2034	1,610,000	184,775	1,794,775
2035	1,660,000	134,688	1,794,688
2036	1,715,000	81,953	1,796,953
2037	1,765,000	27,578	1,792,578
Totals	\$586,656,700	\$130,249,806	\$716,906,506

a. Interest amount represents gross interest. Does not include subsidy received from the U.S. Government on the New York State Municipal Bond Bank Agency 2009 Recovery Act Bonds, or from the New York State Environment Facilities Corp. Refunded Bonds and the payments made to date in the 2018 fiscal year are also not reflected in the above presentation.

Trend of Town Indebtedness

Fiscal Year Ending December 31:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Outstanding End of Year:					
Bonds	\$403,091,619	\$461,300,820	\$508,932,170	\$520,902,650	\$530,646,700
Open Space Bond Act Bonds	78,345,000	74,180,000	64,050,000	60,230,000	56,010,000
EFC Short Term Loan	-	-	-	-	-
Budget Notes	-	-	-	-	-
Bond Anticipation Notes	-	-	-	-	-
Total Debt Outstanding	<u><u>\$481,436,619</u></u>	<u><u>\$535,480,820</u></u>	<u><u>\$572,982,170</u></u>	<u><u>\$581,132,650</u></u>	<u><u>\$586,656,700</u></u>

Source: Financial statements of the Town 2013-2017.

Authorized But Unissued Debt

After the issuance of the Bonds, the Town will have authorized but unissued debt in the aggregate amount of \$65,209,810 for the following purposes.

<u>Purpose</u>	<u>Authorized Amount</u>	<u>Amount Issued to Date</u>	<u>Amount to be Issued</u>	<u>Authorized but Unissued</u>
Special Districts	\$ 43,628,000	\$12,000,000	\$17,662,000	\$13,966,000
Highway	39,508,400	4,832,750	17,365,000	17,310,650
General Purposes	69,222,800	11,127,940	24,161,700	33,933,160
Total	<u><u>\$152,359,200</u></u>	<u><u>\$27,960,690</u></u>	<u><u>\$59,188,700</u></u>	<u><u>\$65,209,810</u></u>

In addition, on November 20, 2018, the Town authorized approximately \$57.8 million in bond resolutions pursuant to its 2019 Capital Budget. Such amount is not reflected in the chart above.

The above authorized but unissued debt projects include amounts that the Town expects to receive grant reimbursement from various State and Federal organizations. The Town does not intend or expect to have to borrow for such projects. In addition, on an annual basis, the Town reviews its authorized but unissued list of projects and closes out or rescinds authorizations as it deems necessary.

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

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Exclusions</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	\$ 460,987,758	\$ 218,168,633	\$ 242,819,125
Villages	20,662,079	195,000	20,467,079
School Districts	819,201,698	423,261,182	395,940,516
Fire Districts	<u>18,772,782</u>	<u>0</u>	<u>18,772,782</u>
Totals	<u>\$1,319,624,317</u>	<u>\$ 641,624,815</u>	<u>\$ 677,999,502</u>

a. Based on applicable respective valuations.

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

c. Estimated State Aid for School Buildings.

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

Debt Ratios

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

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$560,767,400	\$1,153	1.05
Net Direct Debt	538,937,400	1,109	1.00
Total Direct & Applicable Total Overlapping Debt	1,880,391,717	3,868	3.51
Net Direct & Applicable Net Overlapping Debt	1,216,936,902	2,503	2.27

a. The current population of the Town is 486,179 (U.S. Census - 2017).

b. The Town's full value of taxable real property for 2018-19 is \$53,638,648,605.

Dissolution of the Village of Mastic Beach

On November 17, 2016 the residents of the Village of Mastic Beach ("Village") approved a referendum calling for the dissolution of the Village effective December 31, 2017. Pursuant to Section 790 of the New York State General Municipal Law following the dissolution of the Village, the Town assumes all outstanding debts, liabilities and obligations of the Village.

At the time of the dissolution, the Village had \$765,000 in bonds outstanding from a bond issue originally issued in 2013 to finance the construction of Village Hall. Upon the sale of Village Hall in December, 2017, the Village placed the proceeds of the sale, along with other available funds, in an escrow account to defease the bonds until the date of redemption of November 15, 2020. Such amount was sufficient to pay the principal and interest due on the 2013 Village Hall Serial Bonds.

Effective for the start of the Town's fiscal year beginning January 1, 2018 the Town, with the approval from the New York State Comptroller's Office, increased the tax levy in the necessary amount to pay for the costs of providing services to the Village residents. Along with the tax levy, other obligations will be offset by recurring revenues such as building permit fees, and franchise fees. The Town has earned an annual \$1 million Citizen Empowerment Tax Credit grant from the State as part of the dissolution.

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit available for public inspection covers the fiscal year ended December 31, 2017. Such audit is attached as Appendix B. Such audit was completed by the firm Albrecht, Viggiano, Zureck and Company, P.C. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes. As required by law, the Town also prepares an Annual Financial Report Update Document ("AFRUD") for submission to the New York State Comptroller. Such report for fiscal year ending 2017 has been filed. A summary of the operating results for the fiscal years ending 2013-2017 is attached as Appendix A hereto.

Fund Structure and Accounts

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

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

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

Basis of Accounting

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

Investment Policy

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

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

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

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

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

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

Financial Operations

The Supervisor functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities, which are delegated to and carried out by the Commissioner of Finance. In addition, the Supervisor serves as the Budget Officer and, with the assistance of the Commissioner of Finance, prepares the annual tentative budget for submission to the Town Board. Budgetary compliance during the year is the responsibility of the Commissioner of Finance.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt. Pursuant to Section 30.00 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of bonds or notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

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

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school 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. The most recent audit performed was released in January, 2016. The Town was included in the audit of eight local governments throughout Nassau and Suffolk County. The objective of the audit was to determine whether local governments are complying with the Long Island Workforce Housing Act when approving qualifying residential units. Such audit reviewed the Town's policies and procedures and reviewed the site plans for residential developments of five or more units for the period January 1, 2009 through December 31, 2014. The complete report may be found on the State Comptroller's official website. Reference to this website implies no warranty of accuracy of information therein.

2013 Results of Operations

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

2014 Results of Operations

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

2015 Results of Operations

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

2016 Results of Operations

For the fiscal year ended December 31, 2016, the audited financial statements prepared by the Town show the total revenue including transfers in the General Fund were \$125,063,934 and the total expenditures, including transfers were \$121,273,175 resulting in an operating surplus of \$3,790,759. The total overall fund balance in the General Fund increased from \$53,166,445 to \$56,957,204.

2017 Results of Operations

For the fiscal year ended December 31, 2017, the audited financial statements prepared by the Town show the total revenue including transfers in the General Fund were \$128,971,133 and the total expenditures, including transfers were \$126,209,071 resulting in an operating surplus of \$6,102,150. The total overall fund balance in the General Fund increased from \$56,957,204 to \$63,059,354.

Fund Balance Policies and Reserves

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

The Town currently is in compliance with its policies in all Funds, and expects to be in compliance at year end 2018.

The Town has established several reserves for specific purposes including a Post Closure Landfill Reserve, Snow Removal Reserve and an Environmental Preservation Open Space Fund to fund future capital needs. In addition the Town has a Debt Reserve Fund. The Town is required to set aside premium earned or excess bond proceeds from completed capital projects to help offset interest cost and or annual debt service in the ensuing years. As of December 31, 2017 the Town has \$11,493,106 in its Debt Reserve.

Budgetary Procedure

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

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

Summary of 2019 Town Budget

The 2019 adopted budget of the Town is again in compliance with its Tax Levy Increase Limit, the Town's Tax Rate and Spending Caps, and the Town's Debt Management and Fund Balance Policies. The budget uses no surplus to balance the budget in any of the six major tax Districts for the first time in over a decade. The Town expects a modest increase in Planning and Building Fees, Recycling Revenues, Fines, Franchise Fees and Parks and Recreation Fees. The Town was able to maintain full-time staffing and all constituent services. The Town is increasing its spending for Road Maintenance by 4.9% and increasing the Snow Removal Budget by 2.5%. The Landfill Post-Closure Reserve increases by \$1.5 million and the Garbage District Rate remains flat at \$350 annually.

Fund	<u>Appropriations</u>	<u>Non-Property Tax Revenues</u>	Less: <u>Application of Surplus</u>	2019 <u>Property Taxes</u>
General - Town Wide	\$128,553,695	\$104,426,413	\$ 0	\$24,127,282
Highway - Town Wide	7,578,304	591,891	0	6,986,413
Open Space - Full Town	136,131,999	105,018,304	0	31,113,695
Total Full Town Funds	25,241,972	16,960,532	0	8,281,440
General - Part Town	63,320,747	2,349,941	0	60,970,806
Highway - Part Town	5,354,208	99,504	0	5,254,704
Street Lighting	44,498,300	2,065,700	0	42,432,600
Refuse & Garbage	138,415,227	21,475,677	0	116,939,550
Total Outside Village Tax Districts	274,547,226	126,493,981	0	148,053,245
Total Major Tax District	9,969,558	112,500		9,857,058
Other Special District	18,762,353	1,204,566	126,148	17,431,639
Total Tax Districts	28,731,911	1,317,066	126,148	27,288,697

Source: Adopted Budget of the Town.

Summary of 2018 Town Budget

Fund	<u>Appropriations</u>	<u>Non-Property Tax Revenues</u>	Less: <u>Application of Surplus</u>	2018 Property <u>Taxes</u>
General - Town Wide	\$125,618,825	\$101,964,627	\$0	\$23,654,198
Highway - Town Wide	7,297,297	326,990	225,000	6,745,307
Open Space - Full Town	9,062,706	115,000	0	8,947,706
Total Full Town Funds	141,978,828	102,406,617	225,000	39,347,211
General - Part Town	23,304,024	15,104,526	0	8,199,498
Highway - Part Town	61,510,837	2,223,489	0	59,287,348
Street Lighting	5,416,144	87,678	200,000	5,128,466
Refuse & Garbage	44,737,169	1,048,700	1,306,619	42,381,850
Total Outside Village Tax Districts	134,968,174	18,464,393	1,506,619	114,997,162
Total Major Tax District	276,947,002	120,871,010	1,731,619	154,344,373
Other Special District	17,985,276	1,274,737	126,640	16,583,899
Total Tax Districts	294,932,278	122,145,747	1,858,259	170,928,272

Source: Adopted Budget of the Town.

Capital Plans and Budgeting

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

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

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

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

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

The Town annually adopts a multi-year capital plan to prioritize capital needs and resources to ensure that key assets are replaced, improved or upgraded in a timely manner.

The proposed estimated borrowing needs over the next several years are stated below. The Town intends to continue to apply for grant funding to supplement the costs for much of the proposed public improvement projects. In addition, capital projects may be authorized after the adoption of the capital plan to reflect changing needs, priorities and funding opportunities. Therefore, the amounts stated below are not necessarily the amount that will ultimately be borrowed.

Adopted Capital Budget Summary 2019-2023

	Fiscal Year Ending December 31:				
	<u>2019^a</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Services	\$1,749,500	\$1,322,000	\$690,000	\$500,000	\$250,000
Information Technology	320,500	175,000	175,000	175,000	175,000
Parks, Sports & Recreation	4,800,000	3,875,000	4,225,000	3,425,000	2,425,000
Planning Building & Environmental	130,000	50,000	50,000	50,000	50,000
Public Safety	385,000	155,000	95,000	60,000	0
Town Attorney	700,000	1,200,000	1,200,000	1,200,000	1,200,000
Town Hall Improvements	2,962,250	1,350,000	475,000	2,575,000	2,575,000
Waste Management	27,080,000	5,080,000	9,855,000	4,380,000	4,380,000
Highway Part-Town	14,240,500	19,204,580	13,725,000	13,850,000	13,775,000
Highway Town-Wide	850,000	900,000	900,000	900,000	900,000
Street Lighting	830,000	500,000	500,000	550,000	550,000
Open Space Acquisitions	4,000,000	2,500,000	2,000,000	2,000,000	2,000,000
Special Districts	460,000				
Total Debt Outstanding	<u><u>\$58,507,750</u></u>	<u><u>\$36,311,580</u></u>	<u><u>\$33,890,000</u></u>	<u><u>\$29,665,000</u></u>	<u><u>\$28,280,000</u></u>

a. Does not include authorizations from previous years that may be financed through the issuance of bonds.

Revenues

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

Real Property Taxes

See "Real Property Tax Information", herein.

Recycling and Sustainable Materials Management

Brookhaven Landfill. The Landfill operates under a New York State Department of Environmental Conservation (NYSDEC) Permit. It is expected that the Landfill will reach maximum capacity in December 2024.

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

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

Nineteen C&D vendors have been approved to utilize the Landfill. Collectively, in 2018, these vendors delivered approximately 465,000 tons of C&D and 353,000 tons of ADCM. Presently, the Town is actively filling Phases IX and X of Cell 6 which has a total of thirteen phases. On average, the Town receives approximately 1.2 million cubic yards of material per year. As of December 1, 2018, the landfill has an estimated 8,005,000 million cubic yards of capacity remaining. Construction of Phases XI, XII and XIII, the final three phases of Cell 6, is expected to begin in early 2020 and be completed in approximately 18 months.

The Town has had the long-standing practice of capping cells (or phases) as they reach capacity. All 95 acres of Cells 1-4 have been capped since 1998. Sixty-three percent (63%), or 80.7 acres, of the constructed Cell 5 / Cell 6 (127.7 acres) have also been capped in accordance with NYSDEC rules and regulations. The Town is presently undertaking a 23 acre cap (Phase G) which is expected to be completed in early 2019. With the addition of Phase G, approximately 81% of the constructed landfill will have been capped.

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

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

However, on October 29, 2018, Hudson Baylor unilaterally ceased operation and defaulted under the terms and condition of the existing contract. Emergency measures have been undertaken to continue to accept and properly dispose of residents’ recyclable materials. Commencing November 28, 2018, the Town is reestablishing the dual stream collection process to render materials collected more marketable. The Town is entering an IMA with the Town of Smithtown for an initial six months with the option to extend another six months while the Town seeks to procure a new recycling facility operator. The IMA proposes Town recyclable materials collected dual stream will be processed at the Smithtown facility. Pursuant to its bid process, Smithtown will be receiving \$30/ton for paper collected and pay \$65/ton for disposal of commingled materials. The Town will pay Smithtown \$5/ton as a host fee for its services. Anticipated expenses for the interim IMA with Smithtown will be approximately \$1,017,351.92.

State Aid

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

Based on the financial statements of the Town for fiscal year ending 2017, the Town received approximately 12.24% of its total General Fund operating revenue from State aid in 2017. The Town has budgeted approximately 10.72% for the 2018 budget and approximately 9.96% for the 2019 budget. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever.

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

The following table sets forth the percentage of the Town’s General Fund revenue (including transfers) comprised of Mortgage Tax for each of the fiscal years 2013 through 2017 and as budgeted, for 2018 and 2019.

Fiscal Year Ended <u>December 31:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid To <u>Revenues (%)</u>
2013	\$110,557,692	\$11,809,324	10.68
2014	123,450,856	9,674,586	7.84
2015	129,064,680	11,477,553	8.89
2016	125,063,934	12,973,534	10.37
2017	128,971,133	15,791,659	12.24
2018 (Budgeted)	125,618,825	13,470,000	10.72
2019 (Budgeted)	128,553,695	12,800,000	9.96

Expenditures

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

Operating Budget Limitations

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

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

Pension Systems

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

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% (percentage dependent on tier) of payroll for the ERS and PFRS, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

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

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

As of December 31, 2017, the Town does not have any amortized amounts due to the NYS Retirement System.

Required Contributions to the NYS Retirement Systems

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

Fiscal Year Ending <u>December 31:</u>	Employees' NYS Retirement <u>System</u>
2014	\$12,851,698
2015	11,454,629
2016	10,148,873
2017	10,383,016
2018	9,862,682
2019 (Budgeted)	11,367,117

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

GASB 68 requires the Town to recognize its long-term obligation for its share of NYS pension benefits as a liability and to more comprehensively and comparably measure the annual costs of its share of NYS pension benefits. As of December 31, 2017, the Town’s net pension liability was \$24,644,931.

For additional information on GASB 68, please reference the Town’s audited financial statements for the fiscal year ended December 31, 2017 attached as Appendix B.

Other Post-Employment Benefits

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

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

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

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

GASB 45 does not require that the liability actually be amortized nor that it be funded only that the municipality or school district account for its unfunded accrued liability and comply in meeting its ARC.

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

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ended December 31, 2017</u>
Annual required contribution (ARC)	\$36,053,289
Interest on net OPEB obligation	7,028,191
Less: Adjustments to ARC	<u>(9,579,637)</u>
Annual OPEB cost (expense)	33,501,843
Less: Contributions made	<u>8,872,421</u>
Increase in net OPEB obligation	24,629,422
Net OPEB obligation-beginning of year	<u>175,704,768</u>
Net OPEB obligation-end of year	<u><u>\$200,334,190</u></u>

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

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

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

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The following table sets forth the percentage of the Town’s revenue for each of the fiscal years 2013 through 2017 and as budgeted for 2018.

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

Fiscal Year Ended <u>December 31:</u>	Total <u>Revenue^a</u>	Real Property <u>Taxes^a</u>	Real Property Taxes to <u>Revenues (%)</u>
2013	\$241,660,111	\$130,539,855	54.02
2014	251,472,912	134,688,992	53.56
2015	258,666,038	138,737,874	53.64
2016	255,815,875	138,760,643	54.24
2017	267,649,383	139,652,324	52.18
2018 (Budgeted)	267,884,296	145,396,667	54.28
2019 (Budgeted)	274,547,226	148,053,245	53.93

a. The amounts above include the following funds: General Town-Wide, General Town Outside Villages, Highway Full Town, Highway Part Town, Refuse & Garbage and Street Lighting. Special District Funds are not included in the above table. See also “Dissolution of the Village of Mastic Beach” herein.

Tax Collection Procedure

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

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

Tax Levy Collection Record and Tax Rates

Fiscal Year Ending December 31:

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
Total Tax Levy*	\$ 1,507,008,592	\$	1,534,189,998	\$	1,571,355,802	\$	1,597,125,646	\$	1,650,604,165
Amount to Town Supervisor	1,292,400,091		1,313,686,075		1,340,490,988		1,380,518,177		1,427,785,882
Amount to County Treasurer	214,608,501		220,503,923		230,864,814		216,607,469		222,818,283
Uncollected as of Final Report	68,659,734		64,052,779		64,635,414		67,413,745		N/A
Percent Uncollected	4.56%		4.18%		4.11%		4.22%		N/A
Tax Rates Per \$100 of Assessed Valuation:									
General Town:									
Town Wide	\$ 4.628	\$	5.081	\$	5.103	\$	5.129	\$	5.212
Outside Incorporated Villages	2.028		2.035		2.048		2.032		2.041
Highway:									
Town Wide	\$ 1.854	\$	1.424	\$	1.444	\$	1.463	\$	1.51
Outside Incorporated Villages	13.922		14.471		14.486		14.691		15.027

* Includes the County, the Town, Special Districts, School Districts and Fire Districts.
The Town is made whole by the County for any unpaid Property Taxes as proscribed in Suffolk County Tax Law (See "Tax Collection Procedure" herein)

Town of Brookhaven Tax Warrant Components

<u>Taxing Jurisdiction</u>	<u>2018</u>		<u>2019</u>	
	<u>Levy Amount</u>	<u>Percent</u>	<u>Levy Amount</u>	<u>Percent</u>
School Districts	\$ 1,109,742,887	69.48 %	\$ 1,145,065,176	69.37 %
Suffolk County	216,588,243	13.56	222,800,044	13.50
Fire Districts	92,339,149	5.78	98,036,912	5.94
Highway Part Town	59,290,219	3.71	60,971,660	3.69
Refuse and Garbage Districts	43,843,853	2.75	43,889,455	2.66
Town General Town Wide	23,665,208	1.48	24,130,955	1.46
Ambulance Districts	12,267,168	0.77	13,113,641	0.79
Open Space Preservation	8,952,139	0.56	9,857,844	0.60
Town General Part Town	8,201,508	0.51	8,281,899	0.50
Highway Town Wide	6,747,240	0.42	6,990,856	0.42
Lighting Districts	5,130,787	0.32	5,258,751	0.32
Out of County Tuition	3,019,660	0.19	4,487,497	0.27
Special Library Districts	2,900,294	0.18	2,910,320	0.18
Demolition of Unsafe Structures	1,175,874	0.07	1,456,956	0.09
Town Sewer Districts	687,367	0.04	689,686	0.04
Water Districts	713,622	0.04	599,081	0.04
Fire Protection Districts	653,627	0.04	653,161	0.04
Clean up of Premises	412,611	0.03	489,952	0.03
Erosion Districts	300,871	0.02	310,589	0.02
Dock Districts	441,683	0.03	552,482	0.03
Park Districts	53,761	0.00	52,602	0.00
Green Homes	2,412	0.00		0.00
Unpaid Sewer and Water Rents	5,466	0.00		0.00
	<u>\$ 1,597,135,649</u>	<u>100.00 %</u>	<u>\$ 1,650,599,519</u>	<u>100.00 %</u>

Property Tax Revenue Limitation

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

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

Tax Increase Procedural Limitation Legislation

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

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

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

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

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

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

Selected Listing of Large Taxable Properties
2018 Assessment Roll^a

<u>Name</u>	<u>Assessed Valuation</u>
Marketspan	\$18,289,825
LIPA	11,489,119
Keyspan	7,326,910
Mall at Smith Haven LLC	1,261,394
Verizon	1,204,982
Point of Woods Association	691,015
Atlantic Point LL LLC	628,020
Zebra Technologies Enterprise Corp	621,920
North Isle Village Inc.	484,500
Villas at Pine Hill DE LLC	473,610
FRG FK Pines I LLC	374,650
Pine Hills South CO DE LLC	374,350
Lake Grove Owners LLC	358,200
Centereach Mall Assoc. LPP c/o KIMCO Realty Corp.	346,720
Stonehurst III Associates LLC	344,400
Total ^b	\$44,269,615

a. Assessment roll established in 2018 for levy and collection of taxes during 2019 Fiscal Year.

b. Represents approximately 9.60% of the total taxable assessed valuation of the Town for 2019.

c. The New York State Office of Real Property Services annually establishes an equalization rate in an effect to determine full market value. For 2018-2019 the Town's Equalization Rate is 0.86% and the Full Valuation is \$53,638,648,605.

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.)

The Long Island Power Authority ("LIPA") has initiated a tax certiorari proceeding to challenge their property tax assessment. The Town and LIPA have reached an Agreement in Principle as to the format of a settlement of the pending real property tax reduction proceedings. Reductions in assessment will be phased in annually until the tax year 2026/27. There will be no refunds for the years 2010/11 (when the first proceeding was filed) to the date of settlement. The only outstanding issue in the settlement negotiation is a slight adjustment in the distribution of the agreed upon assessment reductions in each year of the agreed upon nine year term. Final settlement is imminent. Such settlement is not expected to have a material effect on the Town's financial condition or taxable assessed valuation.

LITIGATION AND OTHER PROCEEDINGS

Parviz Noghrey vs. Town of Brookhaven

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

Yasso v. Town of Brookhaven

This case involves a two-car accident at a Town intersection allegedly due to an obstructed sight distance from overgrown foliage. The liability on this case could be \$1,000,000. Discovery has been completed and, the matter has been certified for trial. The Town will be filing a motion for summary judgment in the next several weeks.

Affordable Housing v. Town of Brookhaven

This case involves cell tower leases at two Town sites. Discovery has been completed and jury selection has been scheduled for November 8, 2018. This case could settle for approximately \$500,000 to \$750,000. On November 20, 2018 the Town Board authorized settlement of this matter for \$997,000.00

Other Litigation

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

RISK FACTORS

AND

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

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

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

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

ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

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

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

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2013	06/30/2014	07/18/2014
2014	06/29/2015	06/26/2015
2015	06/27/2016	07/11/2016
2016	06/29/2017	06/26/2017
2017	06/29/2018	06/18/2018

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Obligations

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

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

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

LEGAL MATTERS

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

RATING

The Town has applied to S&P Global Ratings (“S&P”) 55 Water Street, New York, New York 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds and such application is pending at this time. The rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Town on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the 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 business office of the Town: Tamara Branson-Werner, Commissioner of Finance of the Town, Town of Brookhaven, Department of Finance - 3rd Floor, One Independence Hill, Farmingville, New York 11738, telephone number 631/451-6680 and email: tbranson@brookhaven.org or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

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

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

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

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

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

By: s/s EDWARD P. ROMAINE
Town of Brookhaven
Brookhaven, New York

December , 2018

APPENDIX A

FINANCIAL INFORMATION

BALANCE SHEETS - AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDING DECEMBER 31, 2017

	Select Governmental Funds					
	General	Town	Combined	Town Refuse	Debt	Non-Major
	Fund	Outside	Highway	& Garbage	Service	Governmental
		Village	Funds	District		Funds
<u>Assets</u>						
Cash & Cash Equivalents	\$ 60,585,570	\$ 13,334,929	\$ 21,146,601	\$ 11,131,488	\$ 13,021,763	\$ 16,021,620
Restricted Cash						1,536,861
Accounts Receivable	9,835,012	119,786	34,041	126,554		34,848
Due From Other Funds	4,557,305	3,728	59,326		1,949,596	45,381
Due from Trust and Agency Funds			182,605			
Insurance Escrow Deposits	437,672					
State and Federal Aid Receivables	661,009	6,951	72,317			342,507
Due From Other Governments	7,533,481	123,013	57,699	75		
Prepaid Charges	1,568,621	416,074	655,144	101,458		66,235
Loans Receivable						2,412
Inventory of Material and Supplies	148,672		559,901			
LOSAP Investment						7,551,538
Total Assets	\$ 85,327,342	\$ 14,004,481	22,767,634	\$ 11,359,575	\$ 14,971,359	\$ 25,601,402
<u>Liabilities</u>						
Accounts Payable	\$ 2,648,801	\$ 189,896	\$ 1,397,951	\$ 3,003,967	\$	\$ 1,048,784
Accrued Liabilities	4,260,005	811,075	1,349,346	545,840		507,468
Due to Other Funds	1,922,684	24,009	491,291	2,819	3,309,513	81,880
Due to Trust and Agency Funds	5,300	400				500
Due to Other Governments	2,369,981	5,640				72,534
Unearned Revenue	271,393	5,650	182,605			77,412
Claims and Judgments	8,025,000	121,066	941,297			
Total Liabilities	19,503,164	1,157,736	4,362,490	3,552,626	3,309,513	1,788,578
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue:						
Real Property Taxes	446,038	154,605	1,245,114	799,076	168,740	412,152
Settlements	2,318,786					
Total Deferred Inflows of Resources	2,764,824	154,605	1,245,114	799,076	168,740	412,152
<u>Fund Balance</u>						
Nonspendable	1,717,293	416,074	1,215,045	101,458		1,530,562
Restricted	11,249,789	9,910	2,578,583		11,493,106	10,763,807
Assigned	2,581,234	12,266,156	13,366,402	6,906,415		11,106,303
Unassigned	47,511,038					
Total Fund Balance	63,059,354	12,692,140	17,160,030	7,007,873	11,493,106	23,400,672
Total Liabilities and Fund Balances	\$ 85,327,342	\$ 14,004,481	\$ 22,767,634	\$ 11,359,575	\$ 14,971,359	\$ 25,601,402

Fund Balance designations reflect the classification for GASB Statement #54

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

Sources: Audited Financial Reports of the Town (2017)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND - TOWN WIDE

	Fiscal Years Ending December 31:				
	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	\$ 16,974,147	\$ 16,954,961	\$ 21,226,870	\$ 23,226,870	\$ 23,443,399
Other Property Tax Items	958,880	1,071,214	1,207,181	1,220,002	1,173,353
Non-Property Tax items	7,787,095	8,256,950	8,261,420	8,913,975	9,296,249
Departmental Income	50,461,832	54,184,523	56,472,961	53,573,142	58,343,727
Intergovernmental Charges	6,932,126	7,086,117	7,910,078	8,515,278	8,409,168
Use of Money and Property	2,339,986	4,570,268	4,485,525	4,334,267	4,734,190
Licenses and Permits	266,180	253,812	256,317	230,516	233,722
Fines and Forfeitures	160,037	199,248	190,736	234,852	178,530
Sale of Property	2,135,398	3,109,728	3,987,284	2,236,686	2,253,827
Miscellaneous Local Sources	1,189,608	1,079,312	1,103,766	1,254,874	844,226
Interfund Revenues	3,950,031	3,829,207	3,276,130	3,560,055	3,267,077
State and Other Local Government Aid	11,809,324	9,674,586	11,477,553	12,973,534	15,791,659
Federal Aid	3,496,390	2,538,650	691,837	741,938	1,002,006
Total Revenues	108,461,034	112,808,576	120,547,658	121,015,989	128,971,133
Expenditures:					
General Government Support	34,042,031	38,118,765	44,687,710	38,244,025	36,970,800
Public Safety	2,833,311	3,830,181	3,604,688	3,761,923	3,799,562
Transportation	290,142	441,941	1,885,282	1,936,762	2,192,633
Economic Assistance & Opportunity	1,402,069	1,753,271	1,729,379	1,656,563	1,731,089
Culture and Recreation	14,582,497	20,199,231	20,712,722	20,827,160	20,870,999
Home & Community Services	10,247,834	13,861,687	14,076,118	13,892,190	14,355,909
Employee Benefits	24,552,572	8,754,146	11,812,966	8,878,060	8,826,941
Debt Service	180,614	88,439	96,143	95,850	95,920
Total Expenditures	88,131,070	87,047,661	98,605,008	89,292,533	88,843,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,329,964	25,760,915	21,942,650	31,723,456	40,127,280
Other Financing Sources (Uses):					
Debt Service Transfers (Out):	(26,948,278)	(24,846,735)	(25,748,187)	(31,980,642)	(37,365,218)
Landfill Capital Transfer (Out)					
Debt Proceeds		5,697,700	5,000,000		2,311,668
Premium on Obligations	374,093	1,056,459	2,418,109	2,957,577	1,028,420
Other Transfers In (Out)	1,722,565	3,888,121	1,098,913	1,090,368	
Total Other Financing Sources (Uses)	(24,851,620)	(14,204,455)	(17,231,165)	(27,932,697)	(34,025,130)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,521,656)	11,556,460	4,711,485	3,790,759	6,102,150
Fund Balance, Beginning of Year	41,420,156	36,898,500	48,454,960	53,166,445	56,957,204
Adjustment to Fund Balance Due to Accounting Changes					
Fund Balance, Beginning of Year, as Restated	41,420,156	36,898,500	48,454,960	53,166,445	56,957,204
Fund Balance, End of Year	\$ <u>36,898,500</u>	\$ <u>48,454,960</u>	\$ <u>53,166,445</u>	\$ <u>56,957,204</u>	\$ <u>63,059,354</u>

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

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

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule is NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND - TOWN OUTSIDE VILLAGES

	Fiscal Years Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 6,495,122	\$ 6,697,544	\$ 7,959,262	\$ 7,959,262	\$ 8,049,498
Other Property Tax Items	13,294	15,801	10,775	14,903	7,349
Departmental Income	8,241,994	8,467,233	9,855,909	10,961,414	13,839,511
Use of Money and Property	12,570	12,878	21,407	31,035	89,408
Licenses and Permits	71,519	102,267	65,541	60,652	93,014
Fines and Forfeitures	828,649	709,086	599,725	1,804,028	2,237,991
Sale of Property and Comp. for Loss				2,862	
Miscellaneous Local Sources	54,440	266,617	379,740	391,155	436,344
Interfund Revenues					10,829
State and Other Local Government Aid	1,808,932	1,808,932	1,808,932	1,808,932	1,815,883
Federal Aid	<u>747</u>	<u>120,817</u>	<u>1,864</u>	<u>990</u>	<u>2,141</u>
Total Revenues	<u>17,527,267</u>	<u>18,201,175</u>	<u>20,703,155</u>	<u>23,035,233</u>	<u>26,581,968</u>
Expenditures:					
General Government Support	2,050,299	2,417,410	2,397,950	3,076,864	2,921,600
Public Safety	6,406,049	8,749,007	10,806,435	10,962,088	11,599,638
Health	331,373	460,473	460,692	570,808	577,297
Home & Community Services	2,823,849	4,122,159	4,065,154	3,923,682	4,085,495
Employee Benefits	4,586,411	933,047	2,094,298	1,049,075	1,201,774
Debt Service	<u>2,698</u>				
Total Expenditures	<u>16,200,679</u>	<u>16,682,096</u>	<u>19,824,529</u>	<u>19,582,517</u>	<u>20,385,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,326,588	1,519,079	878,626	3,452,716	6,196,164
Other Financing Sources (Uses):					
Transfers In:		52,910	40,835	35,715	107,709
Premium on Obligations		24,435	94,981	34,469	245,185
Transfers Out	<u>(204,027)</u>	<u>(240,121)</u>	<u>(395,485)</u>	<u>(564,925)</u>	<u>(2,830,489)</u>
Total Other Financing Sources (Uses)	<u>(204,027)</u>	<u>(162,776)</u>	<u>(259,669)</u>	<u>(494,741)</u>	<u>(2,477,595)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,122,561	1,356,303	618,957	2,957,975	3,718,569
Fund Balance, Beginning of Year	2,917,775	4,040,336	5,396,639	6,015,596	8,973,571
Adjustment to Fund Balance Due to Accounting Changes					
Fund Balance, Beginning of Year, as Restated	<u>2,917,775</u>	<u>4,040,336</u>	<u>5,396,639</u>	<u>6,015,596</u>	<u>8,973,571</u>
Fund Balance, End of Year	\$ <u><u>4,040,336</u></u>	\$ <u><u>5,396,639</u></u>	\$ <u><u>6,015,596</u></u>	\$ <u><u>8,973,571</u></u>	\$ <u><u>12,692,140</u></u>

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

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMBINED HIGHWAY FUNDS

	Fiscal Years Ending December 31:				
	2013	2014	2015	2016	2017
Revenues:					
Real Property Taxes	\$ 59,694,197	\$ 63,869,989	\$ 63,163,119	\$ 63,092,744	\$ 63,548,474
Other Real Property Tax Items	683,733	752,084	813,801	796,400	825,297
Departmental Income	37,358	603,982	74,199	74,552	141,174
Intergovernmental Charges	191,646	438,553	332,405	299,979	205,907
Use of Money and Property	96,645	86,846	95,412	106,788	208,561
Licenses and Permits	224,005	332,651	429,064	515,105	559,524
Sale of Property	102,810	269,610	141,054	185,176	134,310
Miscellaneous Local Sources	334,750	183,467	159,287	2,426	
Interfund Revenues	1,200,434	616,534	95,571	21,697	
State Aid	3,466,174	3,851,366	4,251,199	370,328	9,579
Federal Aid	1,710,539	690,942	390,142	325,829	327,006
Total Revenues	67,742,291	71,696,024	69,945,253	65,791,024	65,959,832
Expenditures:					
Transportation	41,004,735	48,228,865	49,433,145	37,946,930	36,807,656
Employee Benefits	11,114,335	4,964,608	5,948,353	4,628,326	5,110,863
Debt Service	114,353				
Total Expenditures	52,233,423	53,193,473	55,381,498	42,575,256	41,918,519
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,508,868	18,502,551	14,563,755	23,215,768	24,041,313
Other Financing Sources (Uses):					
Premiums on Obligations	298,680	1,444,883	160,775	2,019,317	2,184,054
Transfers In		3,617,380	2,243,862	774,873	121,732
Transfers Out	(21,500,787)	(21,108,055)	(22,812,042)	(26,558,246)	(25,870,419)
Total Other Financing Sources (Uses)	(21,202,107)	(16,045,792)	(20,407,405)	(23,764,056)	(23,564,633)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,693,239)	2,456,759	(5,843,650)	(548,288)	476,680
Fund Balance, Beginning of Year	26,311,768	20,618,529	23,075,288	17,231,638	16,683,350
Adjustment to Fund Balance Due to Accounting Changes					
Fund Balance, Beginning of Year, as Restated	26,311,768	20,618,529	23,075,288	17,231,638	16,683,350
Fund Balance, End of Year	\$ 20,618,529	\$ 23,075,288	\$ 17,231,638	\$ 16,683,350	\$ 17,160,030

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

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

TOWN REFUSE AND GARBAGE

	Fiscal Years Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 42,064,159	\$ 41,997,665	\$ 41,472,785	\$ 39,820,245	\$ 39,887,693
Other Real Property Tax Items	1,748	1,233	694	717	1,229
Departmental Income	294,340	801,574	849,110	1,251,798	917,671
Use of Money and Property	60,594	57,870	71,757	73,431	131,651
Fines and Forfeitures	32,200	44,175	24,300	23,125	30,325
Sale of Property	5,844	6,801	6,711	5,678	6,394
Miscellaneous	444		2,000	3,043	2,000
State Aid		458,517	44,898	26,769	181,241
Federal Aid	81,000				
Total Revenues	<u>42,540,329</u>	<u>43,367,835</u>	<u>42,472,255</u>	<u>41,204,806</u>	<u>41,158,204</u>
Expenditures:					
Home and Community Services	41,364,802	43,680,054	42,092,130	42,552,764	42,442,293
Employee Benefits	1,109,521				
Total Expenditures	<u>42,474,323</u>	<u>43,680,054</u>	<u>42,092,130</u>	<u>42,552,764</u>	<u>42,442,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,006	(312,219)	380,125	(1,347,958)	(1,284,089)
Fund Balance, Beginning of Year	<u>9,506,008</u>	<u>9,572,014</u>	<u>9,259,795</u>	<u>9,639,920</u>	<u>8,291,962</u>
Fund Balance, End of Year	\$ <u>9,572,014</u>	\$ <u>9,259,795</u>	\$ <u>9,639,920</u>	\$ <u>8,291,962</u>	\$ <u>7,007,873</u>

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

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEBT SERVICE FUND

	Fiscal Years Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes and Tax Items	\$ 7,388,111	\$ 7,300,000	\$ 8,306,814	\$ 8,306,824	\$ 8,406,931
Other Real Property Tax Items		98,880	117,601	116,210	112,975
Use of Money and Property	<u>1,169</u>	<u>12,793</u>	<u>6,873</u>	<u>7,610</u>	<u>32,668</u>
Total Revenues	<u>7,389,280</u>	<u>7,411,673</u>	<u>8,431,288</u>	<u>8,430,644</u>	<u>8,552,574</u>
Expenditures:					
General Government Support					
Debt Service:					
Principal	44,767,700	39,764,619	38,842,000	41,463,820	46,468,350
Interest	15,916,341	17,454,863	19,339,406	19,843,468	20,143,948
Bond Issuance Costs		273,731	384,049		242,106
Refunding Escrow					<u>2,790,051</u>
Total Expenditures	<u>60,684,041</u>	<u>57,493,213</u>	<u>58,565,455</u>	<u>61,307,288</u>	<u>69,644,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,294,761)	(50,081,540)	(50,134,167)	(52,876,644)	(61,091,881)
Other Financing Sources (Uses):					
Transfers In:	53,295,930	50,670,602	49,882,471	62,130,533	61,187,553
Proceeds of Bonds					
Premium on Long-Term Debt		4,266,376	14,561,204		7,335,842
Refunding Bonds Issued		36,115,000	83,405,000		44,235,000
Debt Service Principal					
Payments to Escrow Holder - Adv Ref Bonds		(40,107,645)	(97,707,635)		(51,328,736)
Transfers Out	<u>(740,000)</u>	<u>(3,760,000)</u>	<u>(795,000)</u>	<u>(876,750)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>52,555,930</u>	<u>47,184,333</u>	<u>49,346,040</u>	<u>61,253,783</u>	<u>61,429,659</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(738,831)	(2,897,207)	(788,127)	8,377,139	337,778
Fund Balance, Beginning of Year	<u>7,202,354</u>	<u>6,463,523</u>	<u>3,566,316</u>	<u>2,778,189</u>	<u>11,155,328</u>
Fund Balance, End of Year	<u>\$ 6,463,523</u>	<u>\$ 3,566,316</u>	<u>\$ 2,778,189</u>	<u>\$ 11,155,328</u>	<u>\$ 11,493,106</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

	Fiscal Years Ending December 31:				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 21,905,466	\$ 21,914,570	\$ 20,152,723	\$ 20,130,879	\$ 20,832,667
Other Property Tax Items	92,710	107,590	112,078	134,450	94,278
Departmental Income	1,396,898	1,645,037	1,422,335	1,937,270	1,854,839
Use of Money and Property	256,455	448,923	271,049	326,301	1,497,780
Sale of Property & Compensation for Loss		1,004		8,257	13,240
Miscellaneous Local Sources	180,662	216,991	201,081	241,333	440,830
Federal Aid	6,375	13,437,938	14,810,734	16,206,534	16,306,771
State Aid	13,408,946		3,179	1,378	9,282
Total Revenues	<u>37,247,512</u>	<u>37,772,053</u>	<u>36,973,179</u>	<u>38,986,402</u>	<u>41,049,687</u>
Expenditures:					
General Government Support					
Public Safety	556,584	537,552	544,491	547,962	594,421
Health	10,114,330	10,104,840	10,512,225	10,453,608	10,457,271
Transportation	5,618,594	5,893,821	5,648,786	5,744,131	5,619,898
Culture and Recreation	30,366	40,017	36,132	37,622	31,075
Home & Community Services	16,648,918	17,027,627	18,051,662	19,509,476	20,220,914
Employee Benefits	777,668				
Debt Service	7,233				
Total Expenditures	<u>33,753,693</u>	<u>33,603,857</u>	<u>34,793,296</u>	<u>36,292,799</u>	<u>36,923,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,493,819	4,168,196	2,179,883	2,693,603	4,126,108
Other Financing Sources (Uses):					
Premiums on Obligations	34,163	413,501	495,272	68,286	832,707
Operating Transfers In	635,654	1,080,887	99,500	442,971	469,156
Operating Transfers (Out):	(5,039,249)	(5,117,333)	(2,250,010)	(3,793,404)	(3,580,883)
Total Other Financing Sources (Uses)	<u>(4,369,432)</u>	<u>(3,622,945)</u>	<u>(1,655,238)</u>	<u>(3,282,147)</u>	<u>(2,279,020)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(875,613)	545,251	524,645	(588,544)	1,847,088
Fund Balance, Beginning of Year, as Restated	15,470,042	14,594,429	15,139,680	15,664,325	15,075,781
Prior Period Adjustments					6,477,803
Fund Balance, End of Year	\$ <u>14,594,429</u>	\$ <u>15,139,680</u>	\$ <u>15,664,325</u>	\$ <u>15,075,781</u>	\$ <u>23,400,672</u>

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

Non-Major Governmental Funds include Ambulance, Docks, Erosion Control, Fire Protection, Street Lighting, Park, Sewer, Sidewalk and Water Districts
Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

TOWN OF BROOKHAVEN

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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

TABLE OF CONTENTS

Page

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis..... 4-18

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

- Statement of Net Position 19
- Statement of Activities..... 20

Fund Financial Statements:

Governmental Fund Financial Statements:

- Balance Sheet 21
- Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position..... 22
- Statement of Revenues, Expenditures, and Changes in Fund Balances 23
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities 24

Fiduciary Funds Financial Statement

- Statement of Fiduciary Assets and Liabilities 25

Notes to Financial Statements 26-64

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

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

- General Fund 65-68
- Town Outside Village..... 69-70
- Highway Fund..... 71-72
- Refuse and Garbage 73

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)..... 74

Schedule of Proportionate Share of the Net Pension Liability- Employee Retirement System 75

Schedule of Pension Contributions – Employee Retirement System 76

Schedule of Pension Liabilities – LOSAP Plans 77

(Continued)

OTHER SUPPLEMENTARY INFORMATION
--

Combining and Individual Fund Statements:

Non-major Governmental Funds – Special Revenue Funds:

Combining Balance Sheet.....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	79

Schedule of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – Non-major Governmental Funds – Special Revenue Fund:

Brookhaven Calabro Airport	80
----------------------------------	----

Non-major Governmental Funds - Special District Funds:

Combining Balance Sheet.....	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	82

Schedule of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – Non-major Governmental Funds – Special Districts:

Ambulance Districts	83
Dock Districts	84
Erosion Control Districts	85
Fire Protection Districts.....	86
Street Lighting District.....	87
Park Districts	88
Refuse and Garbage Districts.....	89
Sewer Districts	90
Water Districts.....	91

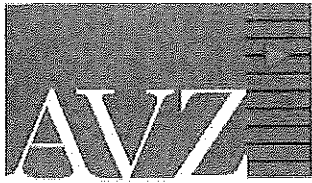
Fiduciary Funds:

Combining Statement of Fiduciary Assets and Liabilities.....	92
Combining Statement of Changes in Agency Assets and Liabilities.....	93

Discretely Presented Component Units

Combining Statement of Net Position.....	94
Combining Statement of Activities.....	95

**FINANCIAL
SECTION**



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Brookhaven, New York, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

BEYOND THE NUMBERS...

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Brookhaven, New York, as of December 31, 2017, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Guidance

As described in Note A and Note E to the basic financial statements, the Town of Brookhaven, New York adopted the provisions of Governmental Accounting Standards Statement No. 73 *Accounting and Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Accordingly, the unrestricted net position and the governmental funds fund balance as of January 1, 2017 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018 on our consideration of the Town of Brookhaven, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Brookhaven, New York's internal control over financial reporting and compliance.

Albert, Virginia, Zark & Conroy P.C.

Hauppauge, New York
June 12, 2018

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

As management of the Town of Brookhaven (the "Town"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

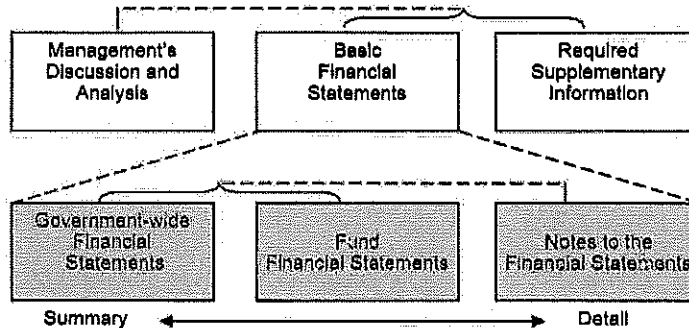
- During fiscal year 2017, Total Fund Balance, excluding the effects of the cumulative change in accounting principle, increased \$27.9 million of which for \$9.4 million pertains to the Town's Major Funds, excluding the Capital Projects Fund.
- During fiscal year 2017, the Town implemented Governmental Accounting Standards Board ("GASB") Statement No. 73 "*Accounting and Financial Reporting for Pensions and Assets That are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", resulting in an increase in Total Fund Balance of \$6.5 million and a decrease in Net Position of \$2.0 million.
- At December 31, 2017, the Unassigned Fund Balance of the General Fund improved \$2.0 million, to \$47.5 million, or a 4.4% increase, and represents 75.3% of the total year end fund balance of \$63.1 million. The 2017 Unassigned Fund Balance represents 37.68% of the General Fund expenditures including operating transfers out, against a Fund Balance Policy compliance of 20%. The increase in Unassigned Fund Balance is attributable to the 2017 revenues in excess of expenditures and there is no planned use of unrestricted components of fund balance to fund the 2018 operating budget.
- Including the \$3.8 million transfer of restricted Debt Reserve to the Debt Service Fund, and the transfer of \$8.2 million to the Capital Projects Fund of which \$950,000 was from existing restricted Capital Projects Reserves, the net increase in the General Fund's 2017 Total Fund Balance was \$6.1 million.
- Including transfers of restricted monies to the Debt Service fund of \$2.3 million and a \$450,000 transfer to the Capital Projects Fund, the Fund Balance for the combined Highway Funds increased slightly by \$477,000.
- In May of 2017, the Town issued a \$44.2 million refunding bond and together with the premium on obligations of \$7.3 million, advanced refunded \$52.4 million of general obligation bonds. The refunding will result in gross budgetary savings of \$7.2 million over the remaining term of the bonds, with a final maturity of 2028.
- The 2017 Capital Project Funds fund balance increased by \$16.7 million. During 2017 the fund issued a \$60.2 million general obligation bond to finance the cost of planned capital acquisitions and incurred \$59.1 million of expenditures. Expenditures decreased by \$5.9 million from 2016, a 9.0% decrease. Additionally, the Town Board approved \$10.2 million of transfers from operating funds to the Capital Projects Funds to finance various projects whereby reducing the need to incur additional debt.
- During the year, the Town had total government-wide revenues of \$314.6 million which consisted of program revenues of \$119.4 million and general revenues of \$195.2 million, while the Town's expenses totaled \$310.9 million.
- At December 31, 2017, the Town's government-wide assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$456.4 million. Of this, \$230.1 million is net unrestricted deficit position, which does not necessarily indicate distress.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**COMPONENTS OF
THE ANNUAL FINANCIAL REPORT**



Government-wide Financial Statements

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

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

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

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

Governmental Activities

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

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Component Units

Component units are legally separate organizations for which the Town is either financially accountable, or the nature and significance of the relations with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These entities are reported in a separate column in the government-wide statements. The Town includes two separate legal entities in its report. All the Town's component units are deemed to be nonmajor. Note A.1 describes the component units.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Brookhaven, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$456.6 million at the close of the most recent year.

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

Condensed Statement of Net Position
As of December 31,

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 214,832,676	\$ 183,510,743
Non-current receivables and other assets	10,295,714	4,120,197
Capital assets	1,196,761,782	1,179,444,785
Total Assets	1,421,890,172	1,367,075,725
Deferred Outflows of Resources	29,590,354	50,409,805
Liabilities		
Current and other liabilities	106,584,453	94,096,105
Long-term liabilities	878,147,553	859,862,183
Total Liabilities	984,732,006	953,958,288
Deferred Inflows of Resources	10,391,691	8,891,833
Net Position		
Net investment in capital assets	615,275,492	596,073,524
Restricted	71,165,231	52,317,137
Unrestricted	(230,083,894)	(193,755,252)
Total Net Position	\$ 456,356,829	\$ 454,635,409

The Town's governmental activities net position includes \$615.3 million in net invested in capital assets, \$71.2 million in net position restricted for specific purposes (primarily for capital projects and debt service) and \$230.1 million in net unrestricted net deficit position.

By far, the largest portion of the Town of Brookhaven's net position (\$456.4 million) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town of Brookhaven uses these capital assets to provide services to citizens; consequently, the related net position is not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

An additional portion of the Town of Brookhaven's net position, 15.6% or \$71.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net deficit of \$230.1 million, the majority of which stems from recognizing post-retirement health benefits and the Town's share of the New York State Pension Plan net pension liability.

The unrestricted net position was again decreased in the current year and will continue to decrease in subsequent years due to the ongoing recognition of the Town's other postemployment benefits (OPEB) costs. The unfunded liability for postemployment benefits healthcare costs increased in 2017 by \$24.6 million bringing the unfunded liability at year-end to \$175.7 million. Additional information on Postemployment Benefits Healthcare Costs can be found in the notes to the financial statements, starting on page 54.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

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

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

	Governmental Activities	
	2017	2016
Program Revenues		
Charges for services	\$ 89,364,776	\$ 81,472,986
Operating grants and contributions	21,789,652	20,045,705
Capital grants and contributions	8,266,266	20,778,892
Total Program Revenues	<u>119,420,694</u>	<u>122,297,583</u>
General Revenues		
Real property taxes	164,168,662	162,536,824
Other real property tax items	2,214,481	2,282,683
Non-property tax items	9,296,249	8,913,975
Interest earnings	1,137,830	486,111
Sale of property and compensation for loss	1,214,913	1,145,599
State aid - unrestricted	16,805,038	14,025,629
Gain (loss) on disposition of capital assets	1,031	(52,461)
Other	366,618	259,689
Total General Revenues	<u>195,204,822</u>	<u>189,598,049</u>
Total Revenues	<u>314,625,516</u>	<u>311,895,632</u>
Program Expenses		
General government support	\$ 53,662,534	\$ 51,190,150
Public safety	24,462,905	23,863,395
Health	12,060,352	11,285,126
Transportation	76,902,731	75,364,560
Economic assistance and opportunity	876,753	832,530
Culture and recreation	33,973,730	33,657,181
Home and community services	91,793,365	91,177,385
Interest on debt	17,174,464	17,917,720
Total Expenses	<u>310,906,834</u>	<u>305,288,047</u>
Change in Net Position	3,718,682	6,607,585
Net Position at Beginning of Year	454,635,409	448,027,824
*Cumulative Effect of Change in Accounting Principle	\$ (1,997,262)	-
Net Position at End of Year	<u>\$ 456,356,829</u>	<u>\$ 454,635,409</u>

*The Town's 2017 condensed statements presented above reflect the cumulative effect of applying GASB Statement No. 73, "Accounting and Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" is shown as an adjustment to the beginning net position of fiscal year 2017 as information is not available to restate the 2016 balances.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The Town's net position from governmental activities decreased from the prior year by approximately \$3.7 million (excluding cumulative effect of change in accounting principle) from \$452.6 million (as restated) to \$456.4 million. Overall, program revenues of \$119.4 million increased \$13.9 million from \$122.3 million in 2016.

Overall, general revenues of \$195.2 million increased \$5.6 million with that of the 2016 revenues of \$189.6 million. The overall \$5.6 million increase in general revenues consists of a \$1.6 million increase in real property taxes, a \$2.8 million increase in state aid (primarily mortgage tax revenue), \$652,000 increase in interest income (higher interest rates) and \$382,000 increase in non-property tax items (franchise fees).

Other notable changes are as follows:

- Charges for Services of \$89.4 million increased \$7.9 million from the 2016 revenues of \$81.5 million. Public safety charges for services increased by \$2.2 million primarily due to an increase in building department permit fees. Charges for service related to home and community function increased by \$4.8 million, as a result of the 2017 landfill fees (including intergovernmental charges) were \$4.6 million more than the 2016 levels.
- Operating Grants and Contributions of \$21.8 million increased by \$1.8 million from the 2016 amounts of \$20.0 million. Operating grants and contributions related the health function increased by \$1.1 million which consists of investment earnings on the length of service award program plan assets. The home and community operating grants and contributions increased by \$585,000 primarily due to increases in federal aid and state aid received. Notable increases from the previous year in federal and state aid are as follows: \$397,000 in Section 8, \$164,000 in community development block grant, and \$296,000 in public disaster aid. Those increases were offset by a decrease in community development home funds of \$120,000.
- Capital Grants and Contributions of \$8.3 million decreased by \$12.5 million from 2016 and is primarily due to a \$9.5 million decrease in transportation grants related to road construction and airport improvements as well as contributions of roadway land easements to the Town.

Overall, total expense from governmental activities was \$310.9 million, an increase of \$5.6 million from the 2016 expense of \$305.3 million. The increase in total expenses is primarily due to increases from the prior year in general government support expenses of \$2.5 million and \$1.5 million in transportation expenses. General government support expenses increased \$2.5 million primarily due to a \$2.7 million increase in salaries and related employee benefits. Transportation costs increased by \$1.5 million due increases in salaries and related benefits of \$1.3 million, increase use of sand and salt of \$976,000, depreciation increases of \$572,000, and an offsetting decrease in equipment rentals of \$1.26 million. The costs of the remaining functional expenses increased slightly from the prior year as follows: public safety \$600,000, health \$775,000, economic assistance \$44,000, culture and recreation \$317,000, and home and community \$616,000. Overall, interest expense of \$17.2 million decreased \$743,000 from the 2016 cost of \$17.9 million.

Governmental Activities

Net Cost of Services
Governmental Activities
For the Years Ended December 31,

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2017	2016	2017	2016	2017	2016
General government support	\$ 53,662,534	\$ 51,180,150	\$ 4,932,605	\$ 5,583,296	\$ (48,729,929)	\$ (45,606,854)
Public safety	24,462,905	23,863,395	12,952,920	11,471,935	(11,509,985)	(12,391,460)
Health	12,060,352	11,285,126	1,415,049	356,921	(10,645,303)	(10,928,205)
Transportation	76,902,731	75,364,560	6,532,178	16,581,804	(70,370,653)	(58,782,756)
Economic assistance and opportunity	876,753	832,530	459,461	540,381	(417,292)	(292,149)
Culture and recreation	33,973,730	33,657,181	7,558,066	7,543,919	(26,415,664)	(26,113,262)
Home and community services	91,793,365	91,177,385	85,061,388	79,700,181	(6,731,977)	(11,477,204)
Interest on debt	17,174,464	17,917,720	509,027	519,146	(16,665,437)	(17,398,574)
	<u>\$ 310,906,834</u>	<u>\$ 305,288,047</u>	<u>\$ 119,420,694</u>	<u>\$ 122,297,583</u>	<u>\$ (191,486,140)</u>	<u>\$ (182,990,464)</u>

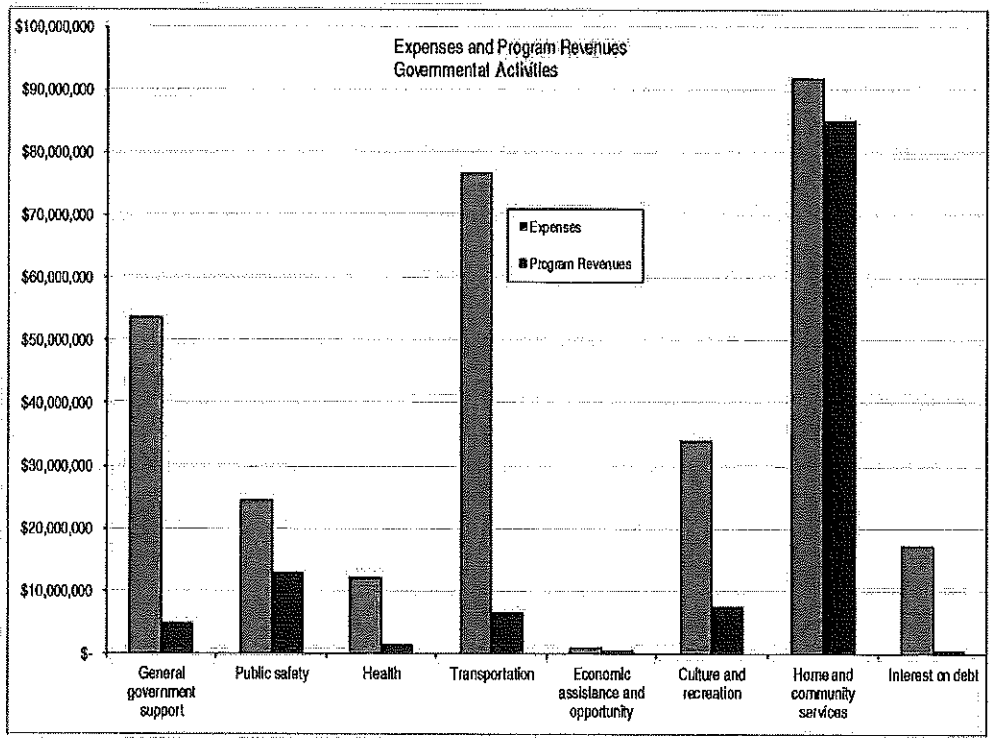
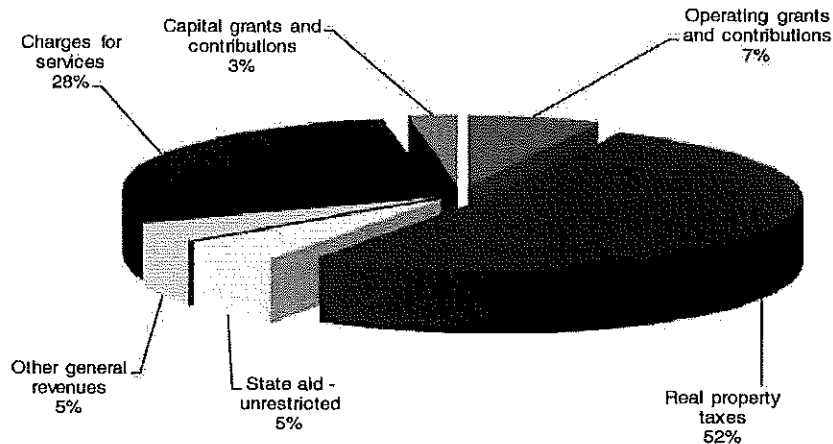
**TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Governmental Activities (continued)

The cost of all governmental activities this year was approximately \$310.9 million. The net cost of these services after being subsidized by program revenues of \$119.4 million was \$191.5 million.

Revenue by Source
Governmental Activities
for the year ended December 31, 2017



TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

General Fund

As the Town completed the 2017 fiscal year, the General Fund's Unassigned Fund Balance was \$47.5 million, an increase of \$2.0 million, 4.4% over 2016. After a transfer of restricted Debt Reserves from the General Fund to the Debt Service Fund of \$3.8 million, and a \$8.2 million transfer to the Capital Projects Fund to finance the acquisition of certain projects, the General Fund's total fund balance, was approximately \$63.1 million, a \$6.1 million increase from the prior year. The Post-Closure Landfill Reserve increased to \$7.1 million, a \$2.6 million increase over 2016, of which \$1.2 million resulted from the \$1.50 per ton surcharge imposed by the Town Board to build the reserve and an additional \$1.0 million of surplus the Town Board allocated to this reserve and \$355,000 allocated pursuant to Local Law 18b-4.

Additionally, revenues excluding other financing resources were \$8.6 million better than originally planned, other financing sources were \$2.3 million more than budgeted, expenditures were \$5.9 million less than originally budgeted and finances uses were \$11.7 million more than originally planned. The \$8.6 million positive variance in revenues (original budget) is primarily attributable to \$4.6 million more in departmental income and intergovernmental charges of which \$4.7 million is attributable to landfill fees and \$3.4 million more in state aid attributable to a \$3.0 million increase in mortgage tax revenue and \$896,000 more in non- property tax items (franchise fees). Other financing sources exceeded the anticipated amounts (original budget) primarily due to a \$2.3 million allocation premium on bond issuance and transfers from the Capital Projects Fund in excess of the original budget of \$1.0 million. Total expenditures of \$88.8 million were \$5.9 million less than originally budgeted. The Town realized savings in all but a few functions, primarily attributable to town-wide cost saving implementation procedures. Other financing uses (transfers to other funds) exceeded the original budgeted amount by \$11.7 million.

During 2017, the Town transferred \$3.8 million of restricted funds for debt service to the Debt Service Fund for future debt service requirements, transferred \$8.2 million to the Capital Projects fund to support Land Acquisitions, emergency storm repairs to Davis Park Marina, Landfill Capping, Moriches Bay Recreation Center improvements, Stony Brook Beach Restrooms improvements, and projects with a period of probable usefulness of less than five years such as Information Technology Software & Equipment, Vehicles, Machinery & Equipment, and Professional Services, and transferred \$710 thousand to the Joseph Macchia Environmental Fund in accordance with Local Law 18b-4.

The General Fund revenues (excluding other financing sources) increased \$8.0 million from \$121.0 million in 2016 to \$129.0 million in 2017. Compared to 2016, total revenues, including Real Property Taxes, non-property items/franchise fees increased \$552 thousand, landfill and recycling fees increased \$4.7 million, and state aid- mortgage taxes increased by \$2.7 million.

The General Fund's other financing sources totaled \$3.3 million, of which \$2.3 million was allocated premium on bond issuance and \$1.0 million was transfers received from the Capital Projects Fund for unspent bond proceeds. In 2016, other financing sources totaled \$4.0 million, of which was \$3.0 million was premium on bond issuance and \$1.1 million was transfers from other funds (\$876 thousand from the Debt Service Fund's restricted debt reserves and \$214 thousand from Capital Projects Funds for unspent bond proceeds).

Total General Fund expenditures, excluding other financing uses, of \$88.8 million \$500 thousand less than in 2016 expenditures of \$89.3 million. The most notable change from the prior year was a \$2.7 million decrease in unallocated insurance and judgment and claims from 2016. Overall salaries and benefits increased by \$1.4 million of which \$893 thousand was due to increase in health insurance benefits. Contractual costs of operating the landfill increased by \$900,000.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

General Fund (continued)

Total General Fund other financing uses (all of which is operating transfers out) of \$37.4 million in 2017 and \$32.0 million in 2016, an increase of \$5.4 million. The 2017 transfers of \$37.4 million consists of \$25.6 million to the Debt Service Fund for its share of the 2017 debt service requirements \$3.6 million to the Debt Service Fund of restricted monies to fund future debt service requirements, and \$8.2 million to the Capital Projects Funds to fund various capital projects. The 2016 transfers of \$32.0 million consisted of \$25.9 million to the Debt Service Fund for 2016 debt service requirements, \$4.5 million of restricted monies the Debt Service Fund for future debt service requirements and \$1.6 million to the Capital Projects Funds. Included in transfers to the Capital Projects Funds for 2017 and 2016 are transfers to the Joseph Macchia Environmental Capital Project Reserve Fund (a sub fund) in accordance with Local Law 18b-4 of \$710 thousand and \$253 thousand, respectively.

Town Outside Village Fund

The Town has elected to present the Town Outside Village Fund as a major fund due to the significance of the public safety, building, and planning and development departments which are included in this fund. At December 31, 2017, fund balance increased from \$9.0 million at 2016 to \$12.7 million in 2017. Actual revenues were \$3.5 million more than the previous year, primarily due to a \$2.9 million increase in departmental income (safety inspection fees, zoning fees, etc.) and a \$433 thousand increase in fines and forfeitures. The \$2.9 million increase in departmental income stems from a \$2.5 million increase in safety inspection fees (increased volume of building permits and fire prevention fees) and \$544 thousand increase in planning division fees (increased volume and project size). Overall expenditures of \$20.4 million (excluding other financing sources) increased slightly from the 2016 level (\$19.6 million). The increase in expenditures of \$800 thousand is primarily due to increased public safety costs \$637 thousand (increased personnel costs and costs of demolition of unsafe buildings) and increased unallocated employee benefits of \$152 thousand (increased retiree health benefits and workers' compensation claims). Other financing sources of \$353 thousand increased by \$283 thousand from 2016 as premiums on obligations increased by \$211 thousand and transfers from capital for unspent bond proceeds increased \$72 thousand.

Other financing uses of \$2.8 million increased by \$2.2 million as the Town Board authorized \$1.8 million transfer to the Capital Projects Funds to finance certain projects thereby eliminating the need to issue debt, and transfers to the Debt Service Fund increased by \$430 thousand due to increased current debt service costs of \$97 thousand and increased transfer of restricted monies to fund future debt service requirements of \$332 thousand.

Highway Fund

The Highway Fund's total fund balance increased \$477 thousand, or 2.9%, from a balance of \$16.7 million at the end of 2016, to \$17.2 million at the end of 2016. The 2017 adopted budget (excluding encumbrances brought forward) included planned deficit/use of surplus of \$550 thousand.

Actual Highway revenues of \$66.0 million were consistent with the 2016 revenues of \$65.8 million. Decreases in state aid revenue of \$361 thousand was offset by the following increases: \$485,000 real property taxes and other real property tax items, \$101 thousand interest and earnings, departmental income of \$67 thousand and \$44 thousand in highway services to other governments. The decrease in state aid is primarily due to the reallocation of the consolidated highway aid to the Capital Projects Funds in 2017.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Highway Fund (continued)

Total expenditures of \$41.9 million were slightly less than the 2016 expenditures of \$42.6 million in 2016. However, the notable changes from the prior year are as follows: a decrease in maintenance of streets of \$1.3 million, an increase in snow removal costs of \$495 thousand and an increase unallocated employee benefits (workers' compensation costs) of \$483 thousand Other financing uses decreased by \$688 thousand due to \$673 less of transfers to the Debt Service Fund for debt service requirements, \$729 thousand less in transfers of restricted monies to the Debt Service Fund for future debt service requirements and a \$600 thousand increase to the Capital Projects Funds to finance specific projects. Other financing sources decreased by \$488 thousand from 2016 as the Highway Fund received \$653 thousand less from the Capital Projects Funds for transfer of unspent bond proceed which was offset by a \$165 thousand increase in premiums on obligations.

Refuse and Garbage Recycling Fund

The Refuse and Garbage Recycling Fund revenues for 2017 and 2016 totaled \$41.2 million. Departmental revenue decrease of \$334 thousand (primarily less recycling fees) was offset by an increases in real property taxes of \$67 thousand, state aid recycling grant of \$154 thousand and interest and earnings of \$58 thousand and Total expenditures of \$42.6 million were \$500,000 higher than the 2016 levels of \$42.1 million due to the following factors: \$886,000 increase in disposal of solid waste and collection contracts, a \$196,000 decrease in employee benefit costs, and a \$242,000 decrease in equipment purchased.

Debt Service Fund

The Debt Service Fund receives transfers from the Town's other funds from which it pays the Town's debt service requirements. Its fund balance at December 31, 2017 was \$15.8 million, which is restricted for various operating funds future debt service. During the 2017 year, the Debt Service Fund received \$8.5 million in real property taxes and other real property tax items and received \$60.1 million transfers from other funds. Of the \$60.1 million in transfer, \$51.0 million was to fund current debt service requirements and \$9.1 million was a transfer of the operating funds restricted fund balance which will be held by the Debt Service Fund to cover future debt service requirements. During 2016, the Town expended \$66.6 million for principal and interest (\$46.5 million and \$120.1 million, respectively). During 2016 the Town expended \$61.3 million for principal and interest requirements (\$41.5 million and \$19.4 million, respectively).

During 2017 the Town issued a \$44.2 million of general obligation refunding bonds. The proceeds from bond sale of \$51.5 million, including a premium of \$7.3 million, and a contribution from the Town monies of \$2.8 million were placed in an escrow fund to advance refund \$23.1 million of 2008 Series bonds and \$29.3 million of 2010 Series bonds. The advance refunding will decrease future debt service payments by \$7.2 million.

Capital Improvement Plan

In addition to the operating fund expenditures, the Town has a 5-year capital improvement plan that replaces and improves infrastructure, buildings and equipment. This 5-year plan strives to match current year's borrowings with debt payments in order to stabilize long-term debt. The capital plan is integrated with the Town's Multi-Year Plan (MYP) to project the impact of debt service.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

The following schedule presents in summary all of the governmental funds revenues and expenditures for the years ended December 31, 2017 and 2016, and the amount of change and percentage of total in relation to the prior year.

	2017	2016	Increase (Decrease)	% Change
REVENUES				
Real property taxes	\$ 164,168,662	\$ 162,536,824	\$ 1,631,838	1.00%
Other real property tax items	2,214,481	2,282,682	(68,201)	-2.99%
Non-property tax items	9,296,249	8,913,975	382,274	4.29%
Departmental income	75,096,922	67,798,176	7,298,746	10.77%
Intergovernmental charges	8,615,075	8,815,257	(200,182)	-2.27%
Use of money and property	6,899,769	4,910,663	1,989,106	40.51%
Licenses and permits	886,260	806,273	79,987	9.92%
Fines and forfeitures	2,446,846	2,062,005	384,841	18.66%
Sale of property and compensation for loss	2,496,660	2,527,547	(30,887)	-1.22%
Miscellaneous local sources	2,379,437	4,089,306	(1,709,869)	-41.81%
Interfund revenues	3,277,906	3,581,752	(303,846)	-8.48%
State aid	23,731,347	20,162,312	3,569,035	17.70%
Federal aid	19,501,985	21,124,951	(1,622,966)	-7.68%
Total Governmental Fund Revenues	\$ 321,011,599	\$ 309,611,723	\$ 11,399,876	3.68%

	2017	2016	Increase (Decrease)	% Change
EXPENDITURES				
Current:				
General government support	\$ 39,892,400	\$ 41,320,889	\$ (1,428,489)	-3.46%
Public safety	15,993,621	15,271,973	721,648	4.73%
Health	11,034,568	11,024,416	10,152	0.09%
Transportation	44,620,187	45,627,823	(1,007,636)	-2.21%
Economic assistance and opportunity	1,731,089	1,656,563	74,526	4.50%
Culture and recreation	20,902,074	20,864,782	37,292	0.18%
Home and community services	81,104,611	79,878,112	1,226,499	1.54%
Employee benefits	15,139,578	14,555,461	584,117	4.01%
Capital Outlay	59,140,794	65,025,939	(5,885,145)	-9.05%
Debt Service:				
Principal	46,563,982	41,558,562	5,005,420	12.04%
Interest	20,144,236	19,844,576	299,660	1.51%
Advance refunding escrow	2,790,051			
Bond Issuance costs	242,106		242,106	100.00%
Total Governmental Fund Expenditures	\$ 359,299,297	\$ 356,629,096	\$ (119,850)	-0.03%

Budgetary Highlights for the General Fund

Final results for any given year may differ from that year's Adopted Budget. The following discusses significant variances between the 2017 adopted budget and actual revenues and expenditures for the General Fund:

Revenues - For 2017, total actual revenue, including other financing sources, was \$132.3 million, or \$11.9 million higher than the adopted budget. The primary drivers of the variance were the result of higher than expected departmental income-landfill revenues and intergovernmental charges (\$4.7 million), state aid-mortgage taxes (\$3.0 million) franchise fees (\$896,000), and premiums on bond issuances (\$2.3 million) and transfers in (\$1.0 million). There were no significant budget amendments to revenue during 2017.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (continued)

Governmental Funds (continued)

Expenditures - For 2017, total actual expenditures, including other financing uses, was \$126.2 million, \$5.7 million more the original budget. Transfers out was \$11.7 million more originally planned as the Town Board authorized an \$8.2 million transfer to the Capital Projects Funds to finance certain projects thereby relieving the need to borrow monies. The General Fund transferred an additional \$3.8 million of restricted monies to the Debt Service Fund to fund future debt service requirements. Excluding the effects of the transfers noted, the General Funds normal operating spending was \$5.9 million better than planned in the Adopted Budget, with savings noted in each function.

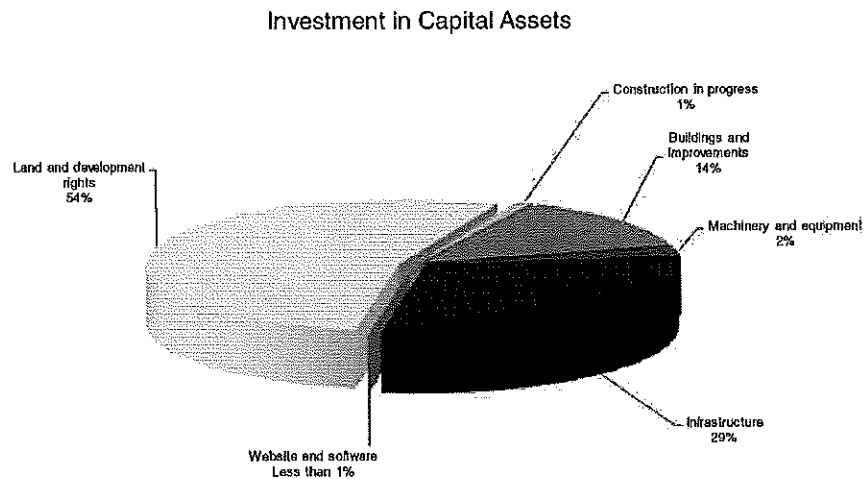
With respect to current normal operating expenditures, the Town implemented cost saving measures which resulted in positive budget variances in substantially all categories. The other financing uses budget variance is primarily related to the transfers to the Capital Projects Funds and transfer of restricted monies to the Debt Service Fund for future debt service requirements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital projects program is a long-range program for the Town's capital spending. This program is only a guide and each year's plan must be authorized by Town Board resolution before the money is available to be spent. In 2017, the Town's total adopted capital budget for new projects was \$46.3 million, with a carry-forward budget for prior year projects of \$49.1 million for a total of \$95.4 million. The total adopted capital budget of \$95.4 million was a decrease from 2016 of almost \$11.0 million, primarily related to the following decreases: \$21.8 million for landfill related improvements and expansion, \$3.8 million in open space land acquisitions and \$2.3 million in revitalization of downtown Bellport. These decreases in capital projects was offset by increases in planning, building and environmental projects of \$9.6 million and \$9.5 million for improvements to two ambulance facilities.

The chart below summarizes the Town's investment in capital assets:



In 2017, the Town of Brookhaven's major capital asset additions were as follows:

Highway Road & Traffic Safety Improvements, Drainage & Machinery/Equip	\$ 24,780,000
Waste Management Improvements and Equipment	10,430,000
Land Acquisition and Development Rights	6,498,000
Various Ambulance Buildings	2,440,000
Parks, Marinas & Recreational Facilities Improvements	11,540,000

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

The following presents the Town's investment in capital assets as of December 31, 2017 and 2016.

<u>Governmental Activities</u>	<u>2017</u>	<u>2016</u>
Land and development rights	\$ 641,407,882	\$ 635,003,544
Construction in progress	11,564,231	9,271,128
Buildings and improvements	315,302,805	299,708,371
Machinery and equipment	106,331,452	103,797,703
Infrastructure	937,339,351	906,729,269
Website and software	4,224,725	3,661,499
Total Capital Assets	<u>2,016,170,446</u>	<u>1,958,171,514</u>
Less accumulated depreciation	<u>819,408,664</u>	<u>778,726,729</u>
Governmental Activities - Total Net Capital Assets	<u>\$ 1,196,761,782</u>	<u>\$ 1,179,444,785</u>

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

DEBT ADMINISTRATION

Long-Term Debt

As of December 31, 2017, and 2016, the Town had following total long-term bonded debt outstanding which is backed by the full faith and credit of the Town:

	<u>2017</u>	<u>2016</u>
General obligation bonds, exclusive of premiums	<u>\$ 586,656,700</u>	<u>\$ 581,132,650</u>

In March 2017, Standard & Poor's reaffirmed the Town's general bond ratings of "AAA", the highest possible designation, which allows the Town to borrow in the future at the lowest possible interest rates. Standard & Poor's stated in their report dated March 30, 2017 that Brookhaven's fiscal outlook reflects the town's very strong budgetary flexibility, liquidity and management, and improving budgetary performance; all which lend stability to the rating. Standard & Poor's also noted the Town's management conditions as "very strong, with strong financial practices combined with a consistent ability to maintain balanced budgets". The Town is one of only 3 Towns on Long Island that is rated AAA by S&P. Standard & Poor's upgraded the Town's credit rating in May 2016 and reaffirmed the Town's credit rating in September 2016.

On March 7, 2018 Moody's upgraded the Town from "Aa2", with a "positive outlook" to Aa1 "stable outlook" in recognition that "Financial management is strong as evidenced by consistently sound reserves and formal fund balance policies". The upgrade reflects the expectation that the Town's financial position will remain healthy in the near term driven by conservative budget management.

During 2017, the Town issued general obligation bonds in the amount of \$60.2 million, issued \$44.2 million in general obligation refunding bonds to advance refund \$52.4 million of outstanding bonds and repaid \$46.5 million of outstanding bonds.

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

The constitutional method for determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Real Property Services

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

DEBT ADMINISTRATION (continued)

Long-Term Debt (continued)

The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five. Percentage of debt contracting power exhausted at December 31, 2017 was 17.33%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged. One of those factors is the economy. The local economy in the Town of Brookhaven, unlike some of its peers, has experienced robust economic development and is well positioned for continued growth. The Town's commercial and residential real estate values have seen an uptick over the last year and it is expected that the overall assessed valuation will continue to grow as significant construction projects get added to the tax rolls. Wealth levels in the Town continue to exceed national averages according to US Census estimates. As such, the 2018 Adopted Budget included increases in non-Property Tax Revenues in the areas of Mortgage Tax Receipts, Franchise Fees, Building Permits, and Planning revenues. The continued slow recovery throughout the United States was reflected in the New York State Property Tax Cap rate of 1.84% for fiscal year 2018.

The Town has many large employers that provide professional positions for many residents. In particular, the State University at Stony Brook (and its hospital), Brookhaven National Laboratory, and John T. Mather Hospital, Brookhaven Memorial Hospital, and the Three Village and William Floyd School Districts, are just a few examples of high-end employers providing high paying jobs in both the public and private sector.

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

Completed economic projects in 2017 included Wincoram, a housing project which constructed 176 housing units and a 13,000 square foot commercial space; T Mina Supply construction of a new 12,000 sq ft pipeline production facility; Anheuser Busch/Blue Point Brewery, an adaptive reuse of the former Briarcliff College into a facility to brew, package, warehouse, and ship craft beer; McKeon Rolling Steel Doors, construction of a new 30,000 sq ft manufacturing facility of steel doors. Over 20 projects closed in 2017, which resulted in over \$435 million of private investment in the Town and created and retained over 4,000 permanent and construction jobs.

In 2010, New York State Legislature and the Governor enacted legislation that established a "Property Tax Cap" on the amount a local government's or school district's property tax levy can increase each year. Under this law, the growth in the property tax levy is capped at 2 percent, or the rate of inflation, whichever is less. The Town's 2018 Adopted Budget, like the 2017, 2016 and 2015 budgets, was in full compliance with the tax cap.

The 2018 Adopted Budget includes costs associated with absorbing the former Village of Mastic Beach, which dissolved effective December 31, 2017. Included in the budget are new positions for the Building Department, Investigations Unit, and Highway Department as well as funding to address quality of life concerns and infrastructure improvements. The Town was awarded the New York State Citizen Empowerment Tax Credit of \$1 million to help offset these costs.

TOWN OF BROOKHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

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

For 2018, the Supervisor put forth a conservative budget to mitigate the impact of the continuing increases in Employee Benefits such as Health Insurance. The 2018 Adopted Budget for the General Fund used no surplus to balance the budget. The Town significantly reduced the use of surplus in all other funds, and continues its focus on the increase to non-property tax revenues, and the identification of operational efficiencies through technology advancements.

The 2018 Adopted Budget reduces the use of surplus in the Refuse & Recycling, Full Town Highway, Open Space, and Street Lighting Funds, fully funds the snow removal budget for the fourth year in a row, expands assessment staff and resources to continue timeliness, accuracy, and fairness in assessments, and maintains constituent services.

Other highlights of the 2018 General Fund's Adopted Budget include:

- The General Fund's levied taxes in 2018 totaled \$23.6 million and were slightly higher than the tax levy from 2017.
- The 2017 expenditure budget for the General Fund was more than 2017 primarily due to employee compensation net increases of \$710 thousand mandated by the union collective bargaining agreements, higher health insurance premiums of \$500 thousand for current and retired employees, offset by increases in departmental revenues such as mortgage tax and franchise fees.
- The 2018 General Fund revenue budget, excluding property taxes, increased over the 2017 adopted budget by \$4.4 million, primarily related to Mortgage Tax Receipts, Franchise Fees, and the Landfill Closure Surcharge.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

**BASIC FINANCIAL
STATEMENTS**

TOWN OF BROOKHAVEN
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Non-Major Component Units
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 182,165,866	\$ 2,690,813
Cash - restricted	1,536,861	247,631
Accounts receivable, net of allowance of \$168,817	10,329,956	
Due from trust and agency funds	182,605	
Insurance escrow deposits	437,672	
State and federal aid receivables	9,851,496	
Due from other governments	6,657,622	
Prepays and other assets	2,962,025	36,524
Inventory of material and supplies	708,573	
Total Current Assets	214,832,676	2,974,968
Non-Current Assets:		
Receivables - rehabilitation loans and other	1,560,193	
Due from other governments, net of current portion	1,183,983	
Length of service award program plan assets	7,551,538	
Non-depreciable capital assets	652,972,113	
Depreciable capital assets, net of accumulated depreciation	543,789,669	18,802
Total Non-Current Assets	1,207,057,496	18,802
Total Assets	1,421,890,172	2,993,770
DEFERRED OUTFLOWS OF RESOURCES		
Pension - employee retirement system	21,678,610	78,753
Pension - length of service award program	278,589	
Deferred charges on debt refundings	7,633,155	
Total Deferred Outflows of Resources	29,590,354	78,753
LIABILITIES		
Current Liabilities:		
Accounts payable, including retainage payable	27,726,207	32,740
Accrued interest and other expenses	3,668,018	
Due to trust and agency funds	6,200	
Due to other governments	2,715,662	244,956
Claims and judgments payable	9,087,363	
Unearned revenues	2,212,739	
Noncurrent liabilities due within one year	61,168,264	
Total Current Liabilities	106,584,453	277,696
Noncurrent Liabilities:		
Noncurrent liabilities due in more than one year	878,147,553	100,754
Total Liabilities	984,732,006	378,450
DEFERRED INFLOWS OF RESOURCES		
Service concession arrangements	1,380,000	
Real property taxes	3,225,725	
Pension - employee retirement system	4,808,567	
Pension - length of service award program	977,399	14,965
Total Deferred Inflows of Resources	10,391,691	14,965
NET POSITION		
Net investment in capital assets	615,275,492	18,802
Restricted:		
Home and community services	3,031,966	
West Meadow Beach		
Nonexpendable	1,464,327	
Capital projects	48,965,886	
Debt service	17,541,255	
Other	161,797	
Unrestricted	(230,083,894)	2,660,306
Total Net Position	\$ 456,356,829	\$ 2,679,108

See notes to the financial statements.

TOWN OF BROOKHAVEN
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities	Non-major Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
PRIMARY GOVERNMENT						
Government Activities:						
General government support	\$ 53,662,534	\$ 2,857,073	\$ 251,739	\$ 1,823,793	\$ (48,729,929)	
Public safety	24,462,905	12,718,394	146,301	89,225	(11,509,985)	
Health	12,060,352	362,557	1,052,492		(10,645,303)	
Transportation	76,902,731	1,415,003	8,988	5,108,187	(70,370,553)	
Economic assistance and opportunity	876,753	14,950	444,511		(417,292)	
Culture and recreation	33,973,730	6,510,071	999,252	48,743	(26,415,664)	
Home and community services	91,793,365	65,486,728	18,377,342	1,197,318	(8,731,977)	
Debt interest and other related costs	17,174,464		509,027		(16,665,437)	
Total Governmental Activities	310,906,834	89,364,776	21,789,652	8,266,266	(191,486,140)	
NON-MAJOR COMPONENT UNITS						
Economic assistance and opportunity	709,644	1,266,739				\$ 557,095
Total Component Units	709,644	1,266,739				557,095
Total	\$ 311,616,478	\$ 90,631,515	\$ 21,789,652	\$ 8,266,266	(191,486,140)	
General Revenues						
Real property taxes					164,168,662	
Other real property tax items					2,214,481	
Non-property tax items					9,296,249	
Interest and investment earnings					1,137,830	10,827
Sale of property and compensation for loss					1,214,913	
State aid - unrestricted					16,805,038	
Loss on disposition of capital assets					1,031	
Other					366,818	
Total General Revenues and Transfers					195,204,822	10,827
Change in Net Position					3,718,682	567,922
Net Position at Beginning of Year					454,635,409	2,111,186
Cumulative Effect of Change in Accounting Principle, GASB 73					(1,997,262)	-
Net Position at Beginning of Year					452,638,147	2,111,186
Net Position at End of Year					\$ 456,356,829	\$ 2,679,108

See notes to the financial statements.

TOWN OF BROOKHAVEN
BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2017

	MAJOR GOVERNMENTAL FUNDS						Nonmajor Governmental Funds	Totals
	General	Town Outside Village	Highway	Refuse and Garbage	Debt Service	Capital Projects		
ASSETS								
Cash and cash equivalents	\$ 60,585,570	\$ 13,334,929	\$ 21,146,601	\$ 11,131,488	\$ 13,021,763	\$ 46,923,895	\$ 182,165,866	
Cash - restricted	9,835,012	119,786	34,041	126,554		357,496	1,536,861	
Accounts receivable, net of allowance of \$168,817	4,557,905	3,728	59,326		1,949,596	2,119,023	10,507,737	
Due from other funds			182,605			45,381	8,734,359	
Due from trust and agency funds	437,672						182,605	
Insurance escrow deposits	661,009	6,951	72,917		8,769,712		437,672	
State and federal aid receivables	7,533,481	123,013	57,699	75		127,398	9,851,496	
Due from other governments	1,568,621	416,074	655,144	101,458			7,841,606	
Prepays							2,807,532	
Loans receivable	148,672		559,901				2,412	
Inventory of material and supplies							706,573	
Length of service award program plan investments							7,551,538	
Total Assets	\$ 85,327,342	\$ 14,004,481	\$ 22,767,634	\$ 11,359,575	\$ 14,971,359	\$ 58,296,464	\$ 232,328,257	
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 2,546,801	\$ 189,896	\$ 1,397,951	\$ 3,003,967	\$	\$ 11,192,602	\$ 19,482,001	
Accrued liabilities	4,260,005	811,075	1,349,346	545,840		2,902,163	7,473,794	
Due to other funds	1,922,884	24,009	491,291	2,819	3,309,513		8,734,359	
Due to trust and agency funds	5,300	400					6,200	
Due to other governments	2,369,981	5,640	182,605			267,507	2,715,662	
Unearned revenue	271,393	5,650	941,297			1,739,806	2,276,866	
Claims and judgments payable	8,025,000	121,066					9,087,363	
Total Liabilities	19,503,164	1,157,736	4,362,490	3,552,626	3,309,513	16,102,078	49,776,185	
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	446,038	154,605	1,245,114	799,076	188,740	266,668	3,225,725	
Real property taxes	2,318,786						2,585,454	
Settlements	2,764,824	154,605	1,245,114	799,076	188,740	266,668	5,811,179	
Total Deferred Inflows of Resources								
FUND BALANCES								
Nonspendable	1,717,293	416,074	1,215,045	101,458			4,980,432	
Restricted	11,249,789	9,910	2,578,583		11,493,106	41,927,718	76,022,913	
Assigned	2,581,234	12,266,156	13,366,402	6,906,415			46,226,510	
Unassigned	47,511,038						47,511,038	
Total Fund Balances	63,069,354	12,692,140	17,160,030	7,007,873	11,493,106	41,927,718	176,740,893	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 85,327,342	\$ 14,004,481	\$ 22,767,634	\$ 11,359,575	\$ 14,971,359	\$ 58,296,464	\$ 232,328,257	

See notes to financial statements.

TOWN OF BROOKHAVEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of December 31, 2017

Total Fund Balances - Governmental Funds \$ 176,740,893

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

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

Capital assets - non-depreciable	\$ 652,972,113	
Capital assets - depreciable	1,363,198,333	
Accumulated depreciation	<u>(819,408,664)</u>	
		1,196,761,782

The asset is not an available resource and, therefore, is not reported in the funds:

Prepaid expenses	154,493	154,493
------------------	---------	---------

Deferred outflows of resources not reported in the governmental funds. 29,590,354

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

General obligation bonds payable, inclusive of premiums	(631,255,936)	
Due to New York State Power Authority	(63,232)	
Employees retirement net pension liability	(24,644,931)	
Length of service award pension liabilities	(8,319,638)	
Deferred compensation	(3,082,190)	
Compensated absences	(18,637,638)	
Claims and judgments payable	(17,577,123)	
Estimated liability for landfill closure and postclosure care costs	(34,410,350)	
Pollution remediation obligation	(990,589)	
Other postemployment benefits payable	(200,334,190)	
Accrued interest payable	(3,668,018)	
Retainage payable	<u>(770,473)</u>	
		(943,754,308)

Deferred inflows of resources not recorded in the governmental funds. (5,785,966)

Receivables, service concession arrangements are not available to pay for current period expenditures and therefore, are not reported in the funds.

Deferred Inflows, service concession arrangements not reported in the funds.	1,380,000	
	<u>(1,380,000)</u>	
		-0-

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

2,649,581

Net Position of Governmental Activities **\$ 456,356,829**

See notes to financial statements.

TOWN OF BROOKHAVEN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended December 31, 2017

	MAJOR GOVERNMENTAL FUNDS						Totals
	General	Town Outside Village	Highway	Refuse and Garbage	Debt Service	Capital Projects	
REVENUES							
Real property taxes	\$ 23,443,399	\$ 8,049,488	\$ 63,548,474	\$ 39,887,693	\$ 8,406,931	\$ 20,832,887	\$ 164,168,862
Other real property tax items	1,173,353	7,349	825,287	1,229	112,975	94,278	2,214,481
Non-property tax items	9,296,249						9,296,249
Departmental income	56,343,727	13,639,511	141,174	917,671		1,854,839	75,895,922
Intergovernmental charges	8,409,168	89,408	209,907	131,651			8,639,076
Use of money and property	4,734,190	2,237,991	559,524	30,325	32,668		6,895,768
Licenses and permits	233,722			6,394			240,116
Fines and forfeitures	178,590		134,310	2,000			314,900
Sale of property and compensation for loss	2,253,827	436,344					2,690,171
Miscellaneous local sources	3,267,077	10,829	9,579	181,241			3,468,726
Interfund revenues	15,791,659	1,815,863	327,006				17,934,528
State aid	1,002,006	2,141					1,004,147
Federal aid	128,971,133	26,581,988	63,959,832	41,158,204	8,532,574	8,739,201	261,011,599
Total Revenues							
	36,970,800	2,921,600	36,807,666				39,892,400
	3,799,562	11,589,688					15,993,621
	2,192,693	577,297					11,034,569
	1,731,089						44,620,187
	20,870,989						1,731,089
	14,355,909						20,902,074
	8,826,941						61,104,611
							15,130,578
							59,140,794
	95,632						46,663,982
	288						20,144,286
							2,790,051
							242,106
							359,299,297
Total Expenditures							
	58,843,853	20,365,804	41,918,519	42,442,293	69,644,455	59,140,794	36,923,579
	40,127,280	6,196,184	24,041,313	(1,284,099)	(61,091,881)	(50,402,593)	4,126,108
Excess (Deficiency) of Revenues Over (Under) Expenditures							
	1,028,420	107,709	121,732				459,156
	(37,565,216)	(2,630,489)	(26,870,419)				(3,560,863)
	2,311,668	245,185	2,184,054				832,707
							44,256,000
							(51,826,738)
							66,150,904
OTHER FINANCING SOURCES (USES)							
Transfers in							
Transfers out							
Debt proceeds							
Premiums on obligations							
Refunding bonds issued							
Payment to refunded bond escrow agent							
Total Other Financing Sources (Uses)							
	(34,025,130)	(2,477,595)	(23,564,633)	-0-	61,429,659	67,087,623	(2,273,020)
Net Change in Fund Balances							
	6,102,150	3,718,569	476,630	(1,284,099)	337,778	16,665,030	1,847,088
Fund Balances at Beginning of Year							
	56,957,204	8,973,571	16,683,350	8,291,962	11,155,328	25,262,688	142,399,884
Cumulative Effect of Change in Accounting Principle							
Fund Balances at End of Year							
	\$ 63,059,354	\$ 12,692,140	\$ 17,160,030	\$ 7,007,873	\$ 11,493,106	\$ 41,927,718	\$ 176,740,893

See notes to the financial statements.

TOWN OF BROOKHAVEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Net Change in Fund Balances		\$ 27,863,206
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeds depreciation in the current period is:</p>		
Capital outlay	\$ 59,342,719	
Depreciation expense	(41,980,010)	
Disposition of capital assets	<u>(45,712)</u>	17,316,997
<p>Net change in deferred outflows of resources not reported in the funds:</p>		
Deferred charges on debt refundings	1,116,474	
Pension related amounts	<u>(22,107,795)</u>	(20,991,321)
<p>Differences in revenues recognized in the statement of activities and the fund level due to the measurement focus/basis of accounting differences between the government-wide statements and fund level statements. .</p>		
		(1,022,031)
<p>The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital leases consumes the current financial resources of governmental funds, neither transaction has any effect on net position:</p>		
Bonds issued	(104,402,400)	
Payment made to escrow agent for refunded bonds	52,410,000	
Repayment of bond principal	46,468,350	
Repayment of New York State Power Authority note	95,635	
Net pension liability- employees retirement system	17,168,052	
Pension liabilities - length of service award program	327,267	
Compensated absences	527,775	
Deferred compensation	1,104,084	
Claims and judgments	(454,965)	
Estimated liability for landfill closure and post closure care costs	608,300	
Other postemployment benefits payable	<u>(24,629,422)</u>	(10,777,324)
<p>Premiums on bond issuances recognized in governmental funds statements when issued and capitalized and amortized in the Statement of Activities.</p>		
		(9,261,232)
<p>Net change in deferred inflows of resources related to pensions.</p>		
		331,239
<p>Other long-term amounts (accrued interest and retainage payable) are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
		<u>259,148</u>
Change in Net Position of Governmental Activities		<u>\$ 3,718,682</u>

See notes to the financial statements.

TOWN OF BROOKHAVEN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2017

		Agency Funds
ASSETS		
Cash	\$	138,263,764
Due from governmental funds		6,200
Total Assets	\$	138,269,964
LIABILITIES		
Due to New York State Comptroller	\$	30
Due to Treasurer of Suffolk County, New York		277,853
Due to the Department of Health of the State of New York		2,925
Due to the Department of Agriculture and Markets of the State of New York		492
Due to school districts		100,459,755
Due to fire districts		7,761,523
Due to governmental funds		182,605
Other agency liabilities		29,584,781
Total Liabilities	\$	138,269,964

See notes to the financial statements.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

1. REPORTING ENTITY

Included in the Reporting Entity

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

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

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

Discretely component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Town. They are financially accountable to the primary government, or have a relationship such that exclusion would cause the Town's financial statements to be misleading or incomplete. The discrete component units serve or benefit those outside of the primary government.

The Town reports the Town of Brookhaven Industrial Development Agency ("IDA" or "Agency") as a non-major discretely presented component unit. The Agency was created as a New York State public benefit corporation and was established pursuant to Article 18A of the New York General Municipal Law, as amended, and Chapter 358 of the Laws of 1970, as amended. The IDA was created to promote and assist with the growth of business with the Town, resulting in increased employment opportunities and commercial tax base. The IDA provides benefits to these businesses in the form of real property tax abatements, sales and mortgage exemptions. The Town's governing board appoints the IDA's Board of Directors, which results in an interdependency with the Town. The IDA has been considered a discretely presented component unit. Complete financial statements of the Agency can be obtained from its administrative office located at One Independence Hill, Farmingville, NY 11738.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town reports the Town of Brookhaven Local Development Corporation ("LDC") as a discretely presented component unit. The LDC was created pursuant to Section 1411 of the New York Not-for-Profit Law. The LDC was established to facilitate financing for not-for-profit organizations such as colleges, hospitals, libraries and those organizations serving people with disabilities. The LDC provides assistance in the form of federally tax-exempt bond financing and mortgage recording exemptions. The Town Board appoints the LDC's board members. The LDC has been considered a non-major discretely presented component unit. Complete financial statements of the LDC can be obtained from its administrative office located at One Independence Hill, Farmingville, NY 11738.

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

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole, with separate columns for the primary government's governmental activities and the non-major discretely presented component units. All fiduciary activities are reported in the fund financial statements.

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

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

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

Fund Financial Statements

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Accordingly, the Town maintains the following fund types:

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

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

Special Miscellaneous Housing Trust fund – is used to account for resources which are restricted, committed or assigned to promote and create decent, affordable housing for low and middle-income residents.

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Governmental Funds (continued)

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

<u>Fire Protection Districts:</u>			
E. Patchogue	Moriches	N. Bellport	Water Island
<u>Ambulance Districts:</u>			
Blue Point / E. Patchogue	E. Moriches / Eastport	Mastic	Mastic Beach
Medford	Manorville	Mount Sinai	South Country
Shirley			
<u>Water Districts:</u>			
Cherry Grove	Fire Island Pines	Holtsville	W. Setauket
Medford #1	Medford #2	Pipe Stave Hollow	Shirley
Stony Brook	Sound Beach		
<u>Erosion Control Districts:</u>			
Davis Park	Fire Island Pines	Ocean Bay Park	Point O'Woods
Seaview	Water Island		
<u>Sidewalk Districts:</u>			
Comsewogue	Granny Road		
<u>Sewer Districts:</u>			
Holbrook	Brookhaven	Brookhaven #2	
<u>Park Districts:</u>			
Ocean Bay Park	S. Setauket		
<u>Refuse and Garbage Districts:</u>			
Cherry Grove	Davis Park	Fire Island Pines	Seaview-Ocean Bay Park Joint
<u>Other Districts:</u>			
Street Lighting District	Cherry Grove Dock District	Fire Island Pines Dock District	

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

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

Park Reserve Escrow Highway Reserve Escrow Drainage Reserve Escrow

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

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

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

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

Town Agency Funds – is used to account for resources held as an agent for parties outside the government in a custodial manner.

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Revenues susceptible to accrual include Suffolk County local assistance at year end on behalf of the Town, franchise fees, and charges for services, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred or in the case of emergency disaster grants when the Blue Book is awarded. In the capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds.

Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when services are received; (b) principal and interest on indebtedness are recognized as expenditures when due; (c) compensated absence, which vest or accumulate, and deferred compensation are charged as expenditures when paid and (d) judgment and claims and retainage payable are recorded when due and payable.

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

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

CASH AND INVESTMENTS

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

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

RESTRICTED CASH

The Town has \$1.54 million of restricted cash, of which \$1.47 million is restricted for environmental education and preservation activities for the West Meadow Beach under the terms of an endowment fund pursuant to New York State legislature and \$75,000 for the federally funded Family Self Sufficiency Program.

RECEIVABLES

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

The Town in its normal course of business is subject to the risk that it may be unable to collect all outstanding accounts receivable arising from user fees. Therefore, the Town has established an allowance account totaling \$168,817.

DUE FROM/TO OTHER FUNDS

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

INVENTORY AND PREPAIDS

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

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

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

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

CAPITAL ASSETS

Capital assets are reported at cost or estimated historical cost. Capital assets excluding land, purchased or acquired having a cost of more than \$5,000 are capitalized.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

CAPITAL ASSETS (continued)

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

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

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

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

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

LENGTH OF SERVICE AWARD PROGRAM PLAN ASSETS

The Town sponsors length of service award program ("LOSAP") to provide retirement like benefits for those volunteering time and services pertaining to ambulance services, in accordance with the plan documents. LOSAP plans have been established for each ambulance company providing services by taxing district. The Town is the sole sponsor of seven LOSAP plans and is joint sponsor of two LOSAP plans. The assets set-a-side to fund the retirement like benefits have been invested in an external investment pool for all New York State ambulance LOSAP plans and the investments are managed by the New York State Comptroller and an administrative agency. The assets in the external investment pool are reported at fair value. The underlying assets of the investment pool includes money market funds, corporate and foreign bonds, common equity securities, equity mutual funds and fixed income mutual funds.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's deferred inflows of resources consist of the following: unearned revenue pertaining to service concession arrangement, unavailable revenue and pension related amounts for both the employee retirement system and length of service award program. In the governmental funds, unavailable revenue represents amounts that do not meet the availability criteria applicable to revenue recognition under the modified accrual basis of accounting.

These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the statement of net position, the Town reports deferred outflows of resources associated with its pension and the amounts are derived from the changes in proportion and differences between the Town's contributions and proportionate share of contributions. Additionally, it reports amounts related to service concession arrangements that will be recognized as revenues in future years as it is earned.

PREMIUMS OF DEBT ISSUANCE

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

LONG-TERM OBLIGATIONS

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

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

NET POSITION AND EQUITY CLASSIFICATIONS

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

- a) Net investment in capital assets — consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NET POSITION AND EQUITY CLASSIFICATIONS (continued)

- b) Restricted — consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted — all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned. Not all the funds will necessarily have all the fund classifications noted above.

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

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

- b) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c) Assigned fund balance reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Town Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- d) Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

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

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

FUND BALANCE POLICIES

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND BALANCE POLICIES (continued)

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

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

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

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

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

Accordingly, subsequent to year end the Town transferred \$1,021,336 from the General Fund to the Capital Projects Fund (Joseph Macchia Environmental Preservation Fund) and allocated \$1,532,004 from the General Fund's unassigned fund balance to the General Fund's fund balance restricted for 1) various capital costs (\$1,021,336) and 2) landfill postclosure care costs (\$510,668) to comply with Local Law 18B-4.

5. REVENUES AND EXPENDITURES/EXPENSES

PROGRAM REVENUES

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

REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

Real property taxes are levied annually no later than December 1st and are recognized as revenue January 1st of the year for which they were levied. The lien date is December 1st of the same calendar year the taxes are levied. Real property tax payments are due in two equal installments: the first half payable December 1st preceding the year for which the tax is levied and the second half payable May 10th. The first half tax is payable without penalty until January 10th and the second half tax is payable without penalty to May 31st. The Town has its own Assessor's Office whose responsibilities are independent and distinct from those of the Receiver of Taxes ("Receiver").

The Town assessment rolls are used for the levy of real property taxes by the Town and the school districts, as well as by the County of Suffolk, New York, ("County") and by special districts based upon a single tax bill.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. REVENUES AND EXPENDITURES/EXPENSES (continued)

REAL PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES (continued)

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

OTHER POSTEMPLOYMENT BENEFITS

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

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

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

DEFERRED COMPENSATION

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

COMPENSATED ABSENCES

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

EMPLOYEE RETIREMENT PENSION PLAN

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. REVENUES AND EXPENDITURES/EXPENSES (continued)

LENGTH OF SERVICE AWARD PROGRAM PENSION LIABILITIES

The Town sponsors a length of service award program ("LOSAP"), a defined benefit service award program, for its volunteer ambulance workers of nine different ambulance district companies. Of the nine individual plans, eight are single-employer plans and the Town reports the total LOSAP service award liability. The two remaining plans have multiple sponsors all of whom are legally responsible for annual contributions to the plan and as such is considered a special funding situation, and accordingly Town reports its proportionate share of the total LOSAP service award liability.

The LOSAP service award liability and proportionate share of the LOSAP service award liability have been measured as the actuarial present value of projected benefit payments. The contributions to the Plan are administered through a grantor/rabbi trust and, as such, the assets are subject to the claims of the Town's creditors, the LOSAP pension liability/proportionate share has not been reduced by the LOSAP plan assets set-aside for benefit payments.

INTERFUND TRANSACTIONS

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

a) Interfund Revenues

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

b) Transfers

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

6. ENCUMBRANCES

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

7. USE OF ESTIMATES

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

8. NEW ACCOUNTING PRINCIPLES

The Town has adopted all the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2017, the Town adopted:

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. NEW ACCOUNTING PRINCIPLES (continued)

Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68 - and amendments to Certain Provisions of GASB 67 and 68*" the objective is to clarify the existing guidance as well as establishes new requirements for pensions not covered by Statement No. 67 and No. 68. The implementation of this Statement resulted in the recognition of assets, liabilities, deferred outflows of resources related to the LOSAP defined benefit plan, restatement of opening net position and additional disclosure requirements. See Note E for additional information.

Statement No. 80, "*Blending Requirements for Certain Component Units - an Amendment of Statement No.14*", the objective of which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The implementation of this Statement had no impact on the Town's financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*", provides guidance over financing reporting for irrevocable split-interest agreements where the government is a beneficiary of the agreement. The implementation of this Statement had no impact on the Town's financial statements.

Statement No. 82, "*Pension Issues - an Amendment of GASB Statements No. 67, 68 and 73*", the objective of which is to address issues regarding (a) the presentation of payroll-related measures in required supplementary information, and (b) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this Statement had no significant impact on the Town's financial statements.

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. BUDGETARY DATA

An operating budget is legally adopted each year for the General, Special Revenue (with the exception of the special grant funds, special miscellaneous housing trust fund, sidewalk districts and debt service fund) and enterprise funds (if applicable). The Capital Projects Fund is budgeted on a project basis. The Supervisor, with the assistance of the Commissioner of Finance, prepares a tentative budget each year and the Town Board holds a public hearing. Subsequent to the public hearing, revisions, if any, are made and the budget is adopted by the Town Board as its final budget for the coming year. The budget is not subject to referendum. Appropriations are adopted at the object level.

The Supervisor maintains control over the budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the individual account level. The Commissioner of Finance may authorize budgetary transfers between departments within any fund for amounts less than \$25,000. Amounts between \$25,000 and \$50,000 need the written approval of the Supervisor's Office. Budgetary transfers affecting employee compensation need the written approval of both the Commissioner of Finance and the Supervisor. Any budgetary transfers \$50,000 to \$100,000 must be approved by Town Board and all in excess of \$50,000 requires Town Board resolution. Any supplemental appropriations that amend the total expenditures of any fund require Town Board Resolution.

In several instances, actual expenditures exceeded appropriations at the account level. Appropriations lapse at year-end. The budgets are adopted on a basis of accounting consistent with GAAP.

Significant revenue and expenditure accruals are reflected in the budget when known through budget transfers or amendments. As a result, management believes that differences between the budgetary basis of accounting and the method used for financial reporting purposes are not material.

In accordance with Local Law, the total amount of expenditures in the annual adopted General Fund operating budget shall not increase from the most recent adopted operating budget including revisions adopted by Town Board resolution, by more than the three-year average of revenue growth plus the three- year average population growth rate for the three-previous completed fiscal years.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

B. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

1. BUDGETARY DATA (continued)

When the calculated growth rate is less than zero percent, adopted expenditures shall not exceed expenditure in the most recent adopted budget. However, the Town Board may provide for an increase in spending in excess of the amount defined by a vote of three-fourths of the Town Board.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2% property tax cap for municipalities. Beginning in 2012 and lasting through at least June 15, 2020, no local government is authorized to increase its property tax levy by more than 2% or the rate of inflation (whichever is less); however local governments can exceed the tax levy limit by a 60% vote of the governing body and annually adopting a local law. There was no tax increase in 2017.

2. FUND EQUITY

FUND BALANCE

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

	General Fund	Town Outside Village Fund	Highway Funds	Refuse and Garbage Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total
Nonspendable:								
Prepays	\$ 1,568,621	\$ 416,074	\$ 655,144	\$ 101,458			\$ 66,235	\$ 2,807,532
Inventory	148,672		559,901					708,573
Permanent fund principal							1,464,327	1,464,327
Total Nonspendable	1,717,293	416,074	1,215,045	101,458			1,530,562	4,980,432
Restricted for:								
Capital projects	1,034,787					\$ 41,627,610		42,662,397
Grantors and donors restrictions							3,031,966	3,031,966
Landfill post-closure costs	7,073,962							7,073,962
Employee severance pay	23,021							23,021
Length of service award program benefits							7,551,536	7,551,536
Debt service	3,022,700	794	2,544,302		\$ 11,493,106	300,108	180,305	17,541,255
Other	84,742	9,176						93,918
Pollution remediation	10,577							10,577
Snow removal			34,281					34,281
Total Restricted	11,249,789	9,910	2,678,583		11,493,106	41,927,718	10,763,807	78,022,913
Assigned to:								
Subsequent year's budget			225,000	1,306,619			326,640	1,858,259
Snow and ice removal			2,561,150					2,561,150
Employee severance pay	2,500,000	800,000	2,200,000	40,000			60,000	5,600,000
Capital projects	81,234							81,234
Purchases on order or contractual obligations								
Special revenue funds		11,466,156	6,380,252	5,559,798			10,719,663	36,125,867
Total Assigned	2,581,234	12,266,156	13,365,402	6,906,415			11,108,303	46,226,510
Unassigned, reported in:								
General fund	47,511,038							47,511,038
Total Unassigned	47,511,038							47,511,038
Total Fund Balances	\$ 63,059,354	\$ 12,692,140	\$ 17,180,030	\$ 7,007,873	\$ 11,493,106	\$ 41,927,718	\$ 23,400,672	\$ 176,740,893

The Debt Service Fund's restricted fund balance is being held to fund future debt service requirements of the following funds:

Major Funds:	
General	\$ 6,845,346
Town Outside Village	505,736
Highway	2,756,419
Non Major Funds:	
Airport	33,102
Ambulance Districts	896,480
Dock Districts	145,412
Erosion Districts	49,807
Fire Protection Districts	111
Street Lighting District	106,243
Sewer Districts	47,342
Water Districts	107,108
	<u>\$ 11,493,106</u>

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS

1. CASH AND INVESTMENTS

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

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

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

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

At December 31, 2017, the carrying amount of the Town's cash and investments were \$321,914,909. This amount is inclusive of fiduciary fund deposits and restricted cash but exclusive of petty cash of \$51,582. The bank balance was \$322,911,624. Of the bank balance, \$64,470,934 was covered by Federal deposit insurance, and \$258,440,690 was covered by collateral held by the Town's agent, a third party financial institution with a fair value of \$338,776,972 and \$390,610 was uncollateralized due to the timing difference between the date of deposit and the collateralization process.

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

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

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

As of December 31, 2017, the Town did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

Length of Service Award Program Plan Investments - External Investment Pool

The Town invests monies which are set-a-side for LOSAP retirement-like benefits in a multi-municipal cooperative investment pool consisting of money market funds, corporate and foreign bonds. Common equity securities, equity mutual funds and fixed income mutual funds. Investments are stated at market value. The pool is not registered with the SEC and is overseen by the New York State Comptroller and an administrative agency hired by the New York State Comptroller.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

1. CASH AND INVESTMENTS (continued)

Allocations of gains, losses and investment income re accounted for by the State Comptroller and third-party administrative agency. The Town's fair value of its position in the pool is the same as the value of pool shares.

In accordance with FASB guidance, the LOSAP pooled assets utilizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. This standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Various inputs are used in determining the value of LOSAP portfolio investments defined pursuant to this standard.

Securities are valued at the most recent market bid price as obtained from one or more market makers for such securities. There have been no significant changes in valuation techniques used in valuing any such positions held by LOSAP pool since the beginning of their fiscal year. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Town's investment in the LOSAP pool of investments totals \$7,551,538 at December 31, 2017. The assets are subject to custodial risk in the event of the failure of the custodian holding the investments.

2. RECEIVABLES

In 2003, the Town entered into an inter-municipal agreement with a school district whereby the school district will pay to the Town \$21,000,000 over a seventeen-year period in equal installments of \$1,235,294 for a refund of taxes due to the Town. The present value of the long-term receivable was calculated using a discount rate of 4.25%. Under the terms of the agreements, the Town will receive \$1,235,294 of the school district's share of the PILOT payment as consideration for the outstanding receivable through 2019, as follows:

	Principal	Interest	Total
Years ending December 31, 2018	\$ 1,134,803	\$ 100,491	\$ 1,235,294
2019	1,183,983	51,311	1,235,294
	\$ 2,318,786	\$ 151,802	\$ 2,470,588

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

In addition, the Town entered into a PILOT agreement with Long Island Power Authority ("LIPA"), whereby LIPA will pay to the Town, relating taxing jurisdictions, and/or special districts \$2,000,000 per year for seventeen years.

Additionally, in 2010 the Town was awarded a \$1 million settlement. Under the terms of the settlement agreement, the award will be repaid over ten years. At December 31, 2017, the outstanding balance was \$266,668 and which will be repaid in annual installments of \$88,888 through December 31, 2020 and is included in the reported Capital Projects Fund accounts receivable and deferred inflows of resources balances.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances represent either loans, services provided, or reimbursements which are expected to be paid currently. Loans are reported as receivables and payables as appropriate. Services provided are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. At December 31, 2017, these balances outstanding are as follows:

Governmental Activities:	<u>Receivable</u>	<u>Payable</u>
Major Funds:		
General Fund	\$ 4,557,305	\$ 1,922,684
Town Outside Village	3,728	24,009
Highway	59,326	491,291
Refuse and Garbage		2,819
Debt Service	1,949,596	3,309,513
Capital Projects	2,119,023	2,902,163
Total Major Funds	<u>8,688,978</u>	<u>8,652,479</u>
Nonmajor Funds:		
Airport	1	4,307
Special Grants	45,376	75,625
Ambulance Districts	4	212
Street Lighting Districts		265
Park Districts		1,471
Total Nonmajor Funds	<u>45,381</u>	<u>81,880</u>
Total	<u>\$ 8,734,359</u>	<u>\$ 8,734,359</u>

Individual fund transfers primarily consist of monies transferred to fund debt service requirements and the cost of capital projects. It also consists residual equity transfers of completed closed capital projects. Interfund transfer made during the year are as follows:

Governmental Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 1,028,420	\$ 37,365,218
Town Outside Village	107,709	2,830,489
Highway	121,732	25,870,419
Debt Service	61,187,553	
Capital Projects	10,212,969	3,480,530
Total Major Funds	<u>72,658,383</u>	<u>69,546,656</u>
Nonmajor Funds:		
Airport	437,493	91,098
Park Reserve Escrow		200,000
Ambulance Districts	7,650	2,246,006
Dock Districts		301,976
Erosion Control Districts		86,033
Fire Protection Districts		1,134
Street Lighting Districts	24,013	371,614
Sewer Districts		283,022
Total Nonmajor Funds	<u>469,156</u>	<u>3,580,883</u>
Total	<u>\$ 73,127,539</u>	<u>\$ 73,127,539</u>

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

4. ENDOWMENT

Pursuant to the State of New York Legislature dated June 12, 1996, interest earnings up to a maximum rate of five percent may be expended by the West Meadow Beach endowment fund provided that the prior year's interest enables such expenditures without reducing the accounts beginning principal of the prior year. The West Meadow Beach endowment fund expenditure plan is adopted by Town Board. The endowment fund's fund balance is restricted and is segregated between spendable and nonspendable. At December 31, 2017, the West Meadow Beach Endowment Fund's fund balance totaled \$1,464,327, all of which considered nonspendable. For the year ended December 31, 2017, all assets are cash deposits and therefore was no net appreciation on investments for the West Meadow Beach endowment fund.

5. CAPITAL ASSETS

The summary of changes within the capital assets of the Town for the year ended December 31, 2017 is as follows:

	Balance 01/01/2017	Additions and Transfers	Deletions and Transfers	Balance 12/31/2017
Primary Government:				
Capital assets not being depreciated:				
Land and development rights	\$ 635,003,644	\$ 6,404,338		\$ 641,407,882
Construction in progress	9,271,128	9,068,916	\$ 6,775,813	11,564,231
Total Capital Assets Not Being Depreciated	644,274,672	15,473,254	6,775,813	652,972,113
Depreciable capital assets:				
Buildings and improvements	299,708,371	15,787,417	192,983	315,302,805
Machinery and equipment	103,797,703	3,684,553	1,150,804	106,331,452
Infrastructure	906,729,269	30,610,082		937,339,351
Website and software	3,661,499	563,226		4,224,725
Total Depreciable Capital Assets	1,313,896,842	50,645,278	1,343,787	1,363,198,333
Less accumulated depreciation/amortization:				
Buildings and improvements	138,796,556	11,528,427		150,324,983
Machinery and equipment	75,618,343	5,676,784	153,007	81,142,120
Infrastructure	561,568,156	24,352,138	1,145,068	584,775,226
Website and software	2,743,674	422,661		3,166,335
Total Accumulated Depreciation/Amortization	\$ 778,726,729	\$ 41,980,010	\$ 1,298,075	819,408,664
Total Net Depreciable Capital Assets				543,789,669
Total Net Capital Assets				\$ 1,196,761,782
Depreciation/amortization expense was charged to the governmental functions as follows:				
General government support		\$ 4,146,281		
Public safety		3,655,712		
Health		681,188		
Transportation		18,849,028		
Economic assistance and opportunity		1,670		
Culture and recreation		7,117,214		
Home and community services		7,528,917		
Total Governmental Activities Depreciation/Amortization Expense		\$ 41,980,010		

The Town of Brookhaven evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2017, the Town has not recorded any such impairment losses.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS

LONG-TERM DEBT

A summary of the Town's changes in long-term debt transactions for the year ended December 31, 2017 is as follows:

	(As Restated) Balance 01/01/17	Increases	Reductions	Balance 12/31/17	Noncurrent liabilities due within one year	Noncurrent liabilities
Primary Government:						
General obligation bonds	\$ 581,132,650	\$ 104,402,400	\$ 98,878,350	\$ 586,656,700	\$ 47,719,300	\$ 538,937,400
Plus premiums on issuance	35,338,004	13,077,240	3,816,008	44,599,236		44,599,236
Total general obligation bonds	616,470,654	117,479,640	102,694,358	631,255,936	47,719,300	583,536,636
Due to NYS Power Authority Employees retirement plan net pension liability	158,867		95,635	63,232	63,232	-
Length of service award pension liabilities	41,812,983		17,168,052	24,644,931		24,644,931
Compensated absences	8,646,905		327,267	8,319,638		8,319,638
Deferred compensation	19,165,413	8,682,204	9,209,979	18,637,638	3,000,000	15,637,638
Claims and judgments	4,186,274	6,000	1,110,084	3,082,190	775,732	2,306,458
Estimated liability for landfill closure and postclosure care costs	26,094,345	5,293,916	4,723,775	26,664,486	9,087,363	17,577,123
Pollution remediation obligations	35,018,650	1,726,656	2,334,956	34,410,350	9,610,000	24,800,350
Other postemployment benefits payable	990,589			990,589		990,589
	175,704,768	33,501,843	8,872,421	200,334,190		200,334,190
				Subtotal	70,255,627	878,147,553
				Less: amount reported as claims and judgments payable	(9,087,363)	*
				Noncurrent liabilities	\$ 61,168,264	\$ 878,147,553

General Obligation Bonds – The Town borrows money to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Town, including bonds of the Town Special Districts which are payable from tax revenues of the areas benefited, bear interest at various rates from 1.0% to 6.4% and have various maturity dates through 2031. The original amount borrowed for debt currently outstanding, excluding amounts related to the defeased debt is \$736,533,545.

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

	Balance 01/01/17	Issued	Redeemed	Balance 12/31/17
Governmental Activities:				
Major Funds:				
General Fund	\$ 347,756,179	\$ 58,626,345	\$ 65,872,510	\$ 340,510,014
Town Outside Village	6,361,059	3,337,378	772,284	8,926,153
Highway Fund	200,179,334	27,697,674	30,313,714	197,563,294
Total Major Funds	554,296,572	89,661,397	96,958,508	546,999,461
Nonmajor Funds:				
Airport Fund	384,762	135,845	63,845	456,762
Ambulance Districts	15,106,304	14,605,158	1,128,628	28,582,834
Dock Districts	1,111,532		109,417	1,002,115
Erosion Control Districts	1,038,704		70,846	967,858
Fire Protection Districts	73,161		3,186	69,975
Street Lighting District	4,790,973		317,054	4,473,919
Sewer Districts	4,310,000		225,000	4,085,000
Water Districts	20,642		1,866	18,776
Total Nonmajor Funds	26,836,078	14,741,003	1,919,842	39,657,239
Total Governmental Activities	\$ 581,132,650	\$ 104,402,400	\$ 98,878,350	\$ 586,656,700

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

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

	Principal	Interest	Total Principal and Interest
Years ending December 31, 2018	\$ 47,719,300	\$ 21,831,402	\$ 69,550,702
2019	51,402,400	18,864,507	70,266,907
2020	52,725,000	16,884,993	69,609,993
2021	52,910,000	14,913,806	67,823,806
2022	53,445,000	12,964,161	66,409,161
2023-2027	261,480,000	35,588,386	297,068,386
2028-2032	58,370,000	3,964,930	62,334,930
2033-2037	8,605,000	664,415	9,269,415
Totals	<u>\$ 586,656,700</u>	<u>\$ 125,676,600</u>	<u>\$ 712,333,300</u>

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

At December 31, 2017, the Town had \$17,541,255 of fund balance specifically restricted for future debt service requirements noted in the above chart.

Advance Refunding of Bonds

During 2017, the Town issued \$44,235,000 of refunding serial bonds with interest rates ranging from 3% to 5% and annual maturities through March 2028. The refunding bonds were issued to advance refund \$52,410,000 of the following general obligation bonds: \$23,100,000 of Series 2008 and \$29,310,000 of Series 2010.

The net proceeds of \$51,328,736 (the par amount of the bonds plus a premium of \$7,335,842 less underwriter fees and other issuance costs of \$242,106 together with contributions of \$3,044,629 from the Town, were used to purchase U.S. Governmental Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds described above. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed.

The Town advanced refunded \$52,410,000 of Series 2008 and 2010 general obligation bonds to reduce its total debt service payments by \$7,158,937 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$6,538,330.

Defeasance of Debt

In the current year and in prior years, the Town of Brookhaven defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2017, \$52,410,000 of these bonds outstanding is considered defeased.

Due to New York State Power Authority

The Town has a note payable to the New York State Power Authority for improvements to Town Hall. This note has a variable interest rate (approximately 0.60% at December 31, 2017) and is payable by the General Fund through 2018.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

6. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

Due to New York State Power Authority (continued)

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

	Principal	Interest	Total Principal and Interest
Year ending December 31, 2018	\$ 63,232	\$ 400	\$ 63,632
Totals	\$ 63,232	\$ 400	\$ 63,632

Other Long-Term Debt

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

7. RETIREMENT SYSTEM

Plan Description

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

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

Benefits Provided

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

Tiers 1 and 2

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Benefits Provided (continued)

Tiers 1 and 2 (continued)

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

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

Tiers 3, 4, and 5

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

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

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

Tier 6

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

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

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Ordinary Disability Benefits

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

Accidental Disability Benefits

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

Post-Retirement Benefit Increases

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

Contributions

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

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

	Regular Pension Contribution	Credits & Miscellaneous Adjustments	Prepayment Discount	Deferred Amount	Amortization Payments	Total Payments
2017	\$ 10,477,300	\$ (6,101)	\$ (88,183)	\$ -	\$ -	\$ 10,383,016
2016	10,148,350	59,601	(59,078)	-	-	10,148,873
2015	11,366,135	192,515	(104,020)	-	-	11,454,630

In addition to the above noted payment of \$11,454,630 for 2015, the Town repaid in advance \$8,224,775 pension related debt (pertaining to Chapters 105 and 57 of the Laws of 2010) in advance of the contractual due dates.

Contributions recognized by the System for the period January 1, 2017 to December 31, 2017 totaled \$10,118,695.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

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

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

Measurement Date	Net Pension Liability	Allocation of the System's Total Net Liability
March 31, 2017	\$ 24,644,931	0.2622855%

The net pension liability was determined by an actuarial valuation as of April 1, 2016 with procedures to roll it forward to March 31, 2017, and was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. There was no significant change in the Town's proportionate share from March 31, 2016 (.2605125%) to March 31, 2017 (.2622855%).

For the year ended December 31, 2017, the Town recognized pension expense of \$13,696,031. As of December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 617,579	\$ 3,742,472
Changes in assumptions	8,419,611	
Net difference between projected and actual investment earning on pension plan investments	4,922,592	
Change in proportion and differences between the Town's contributions and proportionate share of contributions	143,343	1,066,095
Contributions made subsequent to the measurement date	7,575,485	
Total	\$ 21,678,610	\$ 4,808,567

The reported deferred outflows of resources resulting from the Town's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts will be recognized in pension expense as follows:

Years Ended December 31, 2018	\$ 4,243,640
2019	4,243,640
2020	4,174,975
2021	(3,367,697)
	\$ 9,294,558

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

Actuarial Assumptions

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

Actuarial Valuation Date	April 1, 2016
Interest rate	7.00%
Salary increases	3.80%
Cost of living adjustment	1.30%
Inflation rate	2.50%
Decrement tables	
	April 1, 2010-March 2015 System's Experience

Annuitant mortality rates are based on the April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

<u>Asset Type:</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Equity:		
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Alternatives:		
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Other	8.00%	4.00%-5.89%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25)%
Inflation indexed bonds	4.00%	1.50%
	100.00%	

The discount rate used to calculate the total pension liability was 7.0% for the System. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

7. RETIREMENT SYSTEM (continued)

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

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

	1.00% Decrease	Current Assumption	1.00% Increase
	6.00%	7.00%	8.00%
Town's proportionate share of the collective net pension liability/(asset)	\$ 78,711,028	\$ 24,644,931	\$ (21,067,851)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)
Valuation Date	April 1, 2016
Employers' total pension liability	\$ (177,400,586)
Plan net position	168,004,363
Employers' net pension liability	\$ (9,396,223)
Ratio of plan net position to the Employers' total pension liability	94.70%

8. LENGTH OF SERVICE AWARD PROGRAM

Plan Description

The Town established and is the sponsor of multiple defined benefit Service Award Programs (collectively "LOSAP"/ "Program") under Section 457 (e) (11) of the Internal Revenue Code effective January 1, 1991. These Programs were established pursuant to Article 11-AAA of New York State General Municipal Law ("GML"). This Program provides municipally funded deferred compensation to volunteer ambulance workers of East Moriches, Manorville, Mastic Beach, Shirley, Medford, South Country, Port Jefferson, Patchogue and Mastic Ambulance Companies, to facilitate the recruitment and retention of active volunteer firefighters. For all Programs except Port Jefferson and Patchogue, the plans are considered single employer plans, with the Town considered the employer (as defined by GASB). The Port Jefferson and Patchogue plans have multiple sponsors and, therefore, the Town is not considered the employer and is party to a special funding situation. The Program is administered by Penflex, Inc., under a contract with the New York State Comptroller, with all provisions and amendments subject to approval of the Town Board.

An eligible program participant is defined to be an active ambulance volunteer who is at least 18 years of age and has completed one year of ambulance service. Participants acquire a non-forfeitable right to a service award after being credited with five years of ambulance service or upon attaining the Program's entitlement age of 65. A participant may also receive credit for five years of ambulance service rendered prior to the establishment of the Program. The Plan's sponsor has the right to amend or terminate the Program.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

8. LENGTH OF SERVICE AWARD PROGRAM (continued)

Benefits

The amount of the monthly retirement income payable to a volunteer ambulance worker eligible for normal retirement benefits is equal to \$20 multiplied by the total years of service, which is not to exceed 40 years annually. Unless a Participant elects to be paid in an optional life time annuity guaranteed for either 5 or 10 years, the form, the benefit shall be paid a monthly payment straight life annuity equal to one-twelfth of the Participants service award. However, upon disability, the participant may apply for benefits regardless of whether or not the entitlement age has been attained or a nonforfeitable right has been acquired. Benefits may be payable to designated beneficiaries if so designated upon the death of a participant. The benefits to the participants are limited to the available assets of the Trust.

Participants

As of December 31, 2016, the Plans' measurement date, the following participants were covered by the benefit terms:

	<u>Single Employer</u>	<u>Special Funding</u>
Inactive participants receiving benefits	34	23
Inactive participants entitled to, but not yet receiving benefits	177	47
Active participants	359	80
Total	570	150

Contributions

New York State General Municipal Law Section §219-o (1)) requires the Plan sponsor (which is the Town) to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution are appropriated annually by the Town Board. With respect to the multi-sponsored plans, and pursuant to the adoption agreements, the Town paid \$32,659 for pensions during the year ended December 31, 2017.

Trust Assets

Assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms and in accordance with Article 11-AAA for GML. The assets have been placed in a grantor /rabbi trust and therefore the trust assets are not legally protected from creditors of the Town. As such, the trust assets do not meet the criteria as defined by GASB and therefore may not be offset against the pension liabilities.

Measurement of Liability

The total pension liability and the collective total pension liability at the December 31, 2016 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of December 31, 2016 (the measurement and actuarial date) was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Discount rate	3.71%
Inflation rate	2.25%
Salary Scale	None Assumed

Mortality rates were based on the RP-2014 Mortality Table (60/40 male/female blend) projected for mortality improvement to the year 2020 with scale MP2016.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

8. LENGTH OF SERVICE AWARD PROGRAM (continued)

Actuarial Assumptions (continued)

The discount rate used to measure the total pension liability was 3.71%. This was the yield to maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2016. In describing this index, S&P, Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Total Pension Liability and Proportionate Share of Pension Liabilities

The Town's liabilities related to the LOSAP plans of \$8,319,638 consists of total pension liabilities and proportionate share of pension liabilities. The Town is the sole sponsor for seven LOSAP plans and its total LOSAP pension liability totaled \$7,228,124. The Town also sponsors with other municipalities, two LOSAP plans and the Town's proportionate share of the total liability was \$1,091,514. The Town's proportionate of the total LOSAP pension liability was based on a cost sharing agreement between the Town and other municipalities. The Town's proportionate share was 51.0% and 50.0% for the two plans with co-sponsorship.

Changes in the Total LOSAP Pension Liability

Balance as of December 31, 2015 measurement date	\$ 7,458,251
Service cost	444,692
Interest	251,549
Changes in assumptions and inputs	(753,378)
Differences between expected and actual experience	(88,916)
Benefit payments	<u>(84,074)</u>
Balance as of December 31, 2016 measurement date	<u>\$ 7,228,124</u>

Sensitivity of the Total Share of the Pension Liability/Proportionate Share of Collective Total Pension Liability to the Discount Rate Assumption

The following presents the Town's total pension liability/proportionate share of collective total liability calculated using the discount rate of 3.71%, as well as what the Town's total pension liability /proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) or 1-percentage point higher (4.71%) than the current rate:

	<u>1.00% Decrease</u>	<u>Current Assumption</u>	<u>1.00% Increase</u>
	2.71%	3.71%	4.71%
Total pension liability	\$ 8,805,374	\$ 7,228,124	\$ 6,004,597
Town's proportionate share of the collective total pension liability	\$ 1,302,151	\$ 1,091,514	\$ 926,776

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

8. LENGTH OF SERVICE AWARD PROGRAM (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Town recognized LOSAP pension expense of \$770,464.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,315	\$ 177,422
Changes in assumptions		799,977
Change in proportion and differences between the Town's contributions and proportionate share of contributions	13,166	
Benefit payments and administrative expenses paid subsequent to the measurement date	241,108	
Total	\$ 278,589	\$ 977,399

The benefit payments and administrative expenses paid subsequent to the measurement date included in deferred outflows of resources will be recognized as a reduction of the total pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31, 2018	\$ 63,040
2019	63,040
2020	63,040
2021	63,040
2022	63,040
thereafter	624,718
	\$ 939,918

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town, as a single-employer defined benefit OPEB plan, per its contract with employees, will pay the full premium costs for medical insurance coverage (currently provided through the New York State Empire Plan plus Enhancement) at retirement, provided the employee retired after January 1, 1992, is at least 55 years of age and has been employed with the Town for at least five consecutive years if hired prior to January 1, 2011 and ten years for those hired after January 1, 2011. The retiree and spouse are also eligible for Medicare reimbursement at rates ranging from \$1,308 to \$1,608 depending upon enrollment date.

The Town also will pay the full premium for \$10,000 life insurance coverage for retirees who retire on or after January 1, 1977. Healthcare benefits for non-union employees are similar to those of union employees and the contracts will be renegotiated at various times in the future. Upon death of a retiree who retired after January 1, 2001, the Town will only continue health insurance for the non-remarried spouse and dependents of the employee provided that the employee was eligible to receive a pension from the New York State Retirement System and the surviving spouse contributes 25% of the cost.

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

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

As of January 1, 2017, the effective date of the most recent OPEB valuation, is based on the census data as of January 1, 2018, which includes 1,644 total participants of which 908 are active employees and 736 are retired employees. There have been no significant changes in the number of employees or the type of coverage since that date.

Funding Policy

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2017, the Town's annual other postemployment benefits cost (expenses) was \$33,501,843. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$8,872,421 for retirees and their beneficiaries, the result was an increase in the other postemployment benefits liability of \$24,629,422 for the year ended December 31, 2017.

Benefit Obligations and Normal Cost

The unfunded actuarial accrued liability for the Town's governmental activities as of the date of the most recent actuarial valuation of January 1, 2017 is:

Retired employees	\$	167,965,052
Active employees		206,835,900
Unfunded actuarial accrued liability	\$	374,800,952

The Town's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town's unfunded actuarial accrued liability for the year ended December 31, 2017 amounted to \$374,800,952.

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

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

	Medical Plan	Medicare Part B	Life Insurance	Total
Normal cost	\$ 12,801,990	\$ 2,312,062	\$ 74,539	\$ 15,188,591
Amortization of unfunded actuarial liability (UAAL) over 30 years	16,528,724	2,855,809	264,123	19,648,656
Interest	1,018,438	188,269	9,335	1,216,042
Annual required contribution (ARC)	30,349,152	5,356,140	347,997	36,053,289
Interest on net OPEB obligations	5,781,508	1,193,657	53,026	7,028,191
Adjustment to ARC	(7,880,371)	(1,626,990)	(72,276)	(9,579,637)
OPEB cost	28,250,289	4,922,807	328,747	33,501,843
Less: Contribution during the year	7,739,529	922,312	210,580	8,872,421
Increase in other postemployment benefits liability	20,510,760	4,000,495	118,167	24,629,422
Other postemployment benefits liability at beginning of year	144,537,728	29,841,419	1,325,621	175,704,768
Other postemployment benefits liability at end of year	\$ 165,048,488	\$ 33,841,914	\$ 1,443,788	\$ 200,334,190
Percent of annual OPEB cost contributed	27.40%	18.74%	64.06%	26.48%

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

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

	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 33,501,843	26.48%	\$ 200,334,190
2016	30,722,979	30.93%	175,704,768
2015	29,477,657	34.26%	155,565,397

The funded status of the plan as of January 1, 2017 (the date of the most recent valuation) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2017	\$ -0-	\$ 374,800,952	\$ 374,800,952	0.00%	\$ 66,208,737	566.09%

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2017 actuarial valuation, the liabilities were computed using the entry age normal method and level percentage of projected payroll of active plan members on a closed basis. The actuarial assumptions utilized a 4.0% interest rate and a 2.5% payroll growth rate. The valuation assumes a 9.0% non-Medicare eligible healthcare cost trend rate for the year ended 2017 and reduced decrements of 0.5% to a rate of 5.0% in years 2025 and later. Medicare eligible health care costs were assumed to increase at a 5.0% trend rate each year. It was assumed that 100% of the current active employees covered under the plan on the day before retirement would enroll in the retiree medical plan upon retirement. Future mortality improvements were projected using the Society of Actuaries Mortality Projection Scale MP-2015.

Effective in 2020, the law applies a 40% tax to the cost of plan benefits in excess of statutory thresholds of single and married coverage. The actuarial valuation assumes the thresholds will start to increase in 2018 at the rate of 2.76%.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

10. COMPENSATED ABSENCES

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

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

However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2017, the value of the accumulated vacation time, sick leave and compensatory absences was \$18,637,638 for governmental activities of which \$17,932,981 is owed to active employees and \$704,657 is owed to separated employees.

As of December 31, 2017, the contractual future payments of due to separated employees for compensated absences accruals are as follows:

Years ending December 31, 2018	\$	557,903
2019		<u>146,754</u>
	\$	<u>704,657</u>

In accordance with the terms of the labor contract, during 2011-2014, the equivalent of ten days of pay was withheld from each employee (as defined in each labor contract) except for certain management employees with which the equivalent of 15 days of pay was withheld, each year. This liability is payable upon the employee's separation from employment at the rate of pay at time of such separation and totaled \$2,154,458 at December 31, 2017.

Additionally, pursuant to the terms of the non-highway labor agreements, payment for longevity compensation earned during 2011, 2012 and 2013, was deferred. The amounts earned for the years ended December 31, 2011, 2012 and 2013 will be paid on the earlier date of separation from employment or the employees hire anniversary date in the years ending December 31, 2014 and 2015, respectively. The liability for longevity deferment totaled \$181,400 at December 31, 2017.

Deferred compensation also includes retirement incentive payable related to incentives offered and accepted by employees electing early retirement in 2012-2014. The incentive liability will be paid to each retiree in three equal annual installments commencing in the year following the retiree received their last installment of compensated absences due. The early retirement incentive liability included in deferred compensation totaled \$746,332 at December 31, 2017.

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

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

	<u>Longevity Compensation</u>	<u>Retirement Incentive</u>
Years ending December 31, 2018	\$ 87,150	\$ 688,582
2019	94,250	38,208
2020	-	19,542
2021	-	-
	<u>\$ 181,400</u>	<u>\$ 746,332</u>

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

C. DETAILED NOTES ON ALL FUNDS (continued)

11. TAX ABATEMENT PROGRAMS

The Town is subject to tax abatements (real property taxes) granted by its discretely presented component unit, the Town of Brookhaven Industrial Development Agency ("IDA"). The IDA offers this abatement program to promote, retain, attract and encourage and develop economically sound commerce and industry base to prevent unemployment and economic deterioration primarily within the Town of Brookhaven.

Pursuant to Title 1, Article 18A of NYS General Municipal Law and Chapter 358 of the Laws of 1970 of New York State (as amended), the IDA was created and empowered to undertake the providing, financing and leasing of certain qualified projects. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of IDA issued bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction with the IDA has determined to undertake pursuant to a Lease Policy. Under the terms of these agreements, title of the property is usually transferred to the IDA. The real property tax abatement program provides property tax abatements (excluding special assessments and special ad valorem tax) up to 100% of real property taxes up to ten years on qualified new capital improvements for which the IDA retains title to the real property. During the term of the agreements, the benefiting entity must operate and maintain the property consistent with the terms of the agreement, failure to do so may result in financial penalties being imposed such as the recapture of the benefits received, depending upon the severity of the noncompliance. The IDA, as a general condition of providing assistance, may require that benefiting company enter into a 'payment in lieu of taxes' ("PILOT") agreement either separately or as part of the project documents to offset the taxes abated.

During 2017, the agreements the IDA ratified resulted in an abatement of \$1,801,300 of the Town's real property taxes and the PILOTs received totaled \$1,162,158. The amount of the abated taxes reported is based on the assessed value of property per the official assessment tax rolls and tax rates in effect on December 1, 2016, the tax lien date.

The Town is also subject to tax abatements granted by the Suffolk County Industrial Development Agency ("SCIDA"), an entity created by Suffolk County, New York. Similar to the IDA, the SCIDA offers several abatement programs on certain qualified projects to promote, retain, attract and encourage sound commerce and industry base to prevent unemployment and economic development. At December 31, 2017, only the real property tax abatement program offered by SCIDA impacts the Town's revenues. Generally, a qualified project is an applicant submitted project which meet certain economic development criteria (such as job creation/retention) and which either 1) has been or will be financed by the issuance of SCIDA issued bonds, notes or other evidences of indebtedness with respect thereto or 2) is a straight lease transaction with the SCIDA has determined to undertake pursuant to a Lease Policy.

The SCIDA, as a condition of providing assistance, may require that the benefiting company remit a PILOT payment to offset the amount of taxes abated. During the year ended December 31, 2017, the agreements the SCIDA ratified resulted in an abatement of \$385,622 of the Town's real property taxes the Town will receive \$340,271 in PILOT payments.

Both the IDA and the SCIDA offer other programs such as the abatement of sales and mortgage taxes. These programs provide abatements of other municipalities' taxes and have no impact on Town assessed taxes.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

D. COMMITMENTS AND CONTINGENCIES

1. RISK MANAGEMENT

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

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

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

Although the eventual outcome of these claims cannot presently be determined, the Town has estimated unsettled claims and litigation as of December 31, 2017 to be \$26,664,486. As of December 31, 2017 the Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town estimates its liability for workers' compensation and general liability and automobile claims by consulting with legal counsel and past experience with similar claims. Claim liabilities also include specific, incremental claim adjustment expenses. As of December 31, 2017, the Town has not purchased any annuity contracts with regards to its workers compensation or general liability claims.

The schedule below presents the changes in claims liabilities for the past two years for workers' compensation and general and auto liability.

	Workers' Compensation		General and Auto Liability	
	2017	2016	2017	2016
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ 17,536,303	\$ 17,680,546	\$ 8,558,042	\$ 7,207,597
Provision for insured events of the current year and changes in provision for insured events of prior years	2,917,831	3,666,478	2,376,085	5,022,839
Less claims and claim adjustment expenditures attributable to insured events of the current and prior years	4,210,972	3,810,721	512,803	3,672,394
Total unpaid claims and claim adjustment expenditures at year end	<u>\$ 16,243,162</u>	<u>\$ 17,536,303</u>	<u>\$ 10,421,324</u>	<u>\$ 8,558,042</u>
Current portion	\$ 3,087,363	\$ 3,322,237	\$ 6,000,000	\$ 2,979,950
Long-term portion	\$ 13,155,799	\$ 14,214,066	\$ 4,421,324	\$ 5,578,092

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

D. COMMITMENTS AND CONTINGENCIES (continued)

2. LITIGATION

Zoning Litigation

The Town is involved in two protracted lawsuits regarding the re-zoning of two vacant land parcels from J-2 Business to B-1 Residential which have resulted in numerous motions, two trials, and various appeals, including the reversal of one of the trials. On May 7, 2010, a judgment was entered against the Town in the amount of \$6,425,752. In February 2012, Appellate Division Second Department severed one cause of action for a new trial but affirmed the judgment, however decreased the settlement to \$5,692,134. The settlement was paid in November 2012. The second case was retried for the third time in October 2016, resulting in a verdict in favor of the Town, dismissing all taking claims asserted by the plaintiff. It is expected this verdict will be appealed by the plaintiff, and the Town will file an appeal in connection with numerous prior rulings and verdicts including, but not limited to, the entry of the judgment aforementioned.

Tax Certiorari Proceedings

At December 31, 2017, there were numerous claims by taxpayers requesting a revision of assessed valuations (certiorari proceedings) for assessments through 2017. These claims are the result of petitioners' complaints that their assessed property valuations are improper in that they represent overvaluation and unequal treatment. Under the Suffolk County Tax Act and the New York State Real Property Tax Law, any court ordered reductions to petitioners' assessments which result in a refund of prior years' taxes are paid by Suffolk County (the "County"), and charged back to the taxpayers of the Town in ensuing years. Reductions in petitioners' assessments will reduce the available property base upon which future tax levies are made. The ultimate outcome of these cannot be determined at this time.

Other Litigation

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

3. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to place a final cover on its landfill sites when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that each landfill stops accepting waste the Town is required to report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$34,410,350 as of December 31, 2017, which is based on 100% of capacity of the landfill for Cells one through five and approximately 67% for Cell six. Cells one through five were closed and capped in previous years.

It is estimated that an additional \$14,811,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated remaining life of the landfill is approximately seven years. The estimated total current costs of the closure and postclosure care costs is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2017.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

D. COMMITMENTS AND CONTINGENCIES (continued)

3. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (continued)

Annually, the Town provides required financial reporting to New York State Department of Environmental Control for landfill fiscal monitoring purposes. For the past several years, New York State and the Town were reviewing assumptions and methodologies used in calculating the landfill closure and postclosure care costs liability to ensure compliance with federal and state laws. As a result of these discussions, the Town's postclosure care liability was decreased by approximately \$1,400,000 during 2017 due to a change in estimate.

Actual costs may change due to inflation, general economic conditions, changes in technology, or changes in landfill laws and regulations. The majority of the closure and post-closure care costs will be funded through the issuance of bonds and surplus earnings in the General Fund.

The Town complies with State and Federal laws requirements for owners to demonstrate financial assurance for closure and postclosure, and/or correction action (if applicable). The Town has established a fund balance reserve restricted for the purpose of funding a portion of the landfill's postclosure care costs. At December 31, 2017 the balance in this reserve is \$7,073,962.

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

4. CONSTRUCTION AND OTHER CAPITAL ACQUISITION COMMITMENTS

Construction in progress, commitments for equipment purchases and other capital acquisition commitments amounting to \$13,800,897 have been recorded as encumbrances in the capital projects fund and are included in the restricted component of fund balance.

Pursuant to a legal settlement, the Town agreed to purchase 142 acres of land for open space over a 5-year period through 2019. As of December 31, 2017, the remaining outstanding commitment is \$2,800,000. Expenditures will be recognized as title is transferred to the Town.

5. POLLUTION REMEDIATION OBLIGATIONS

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

Obligating events include the following:

The Town:

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

Pollution remediation activity includes costs relating to removing contaminants in ground water resulting from landfill leachate runoff into the ground water. The estimated liability includes costs for draining the contaminated pond water, lining the pond and refilling it. At December 31, 2017, the Town has recorded pollution remediation obligation of approximately \$990,589 of which the entire amount is estimated to be due within one year. The liability was based on current environmental regulations and engineering reports developed from outside consultants. During the course of any of the Town's pollution remediation projects, additional information found through soil/water sampling could adversely affect duration and costs if additional contaminants are found. Actual costs may vary due to inflation or deflation, changes in technology, or changes in regulations or applicable laws.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

D. COMMITMENTS AND CONTINGENCIES (continued)

6. TRASH FOR ASH

On September 16, 2014, the Town of Brookhaven amended and restated its Municipal Solid Waste and Ash Disposal Agreement with the Covanta Hempstead Company.

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

7. LEASE COMMITMENTS AND LEASED ASSETS

Operating Leases

The Town leases real property and equipment under various leases and on an as basis needed. Total rental expenditures for all funds, with the exception of those of the Highway Funds, were approximately \$280,000 for the year ended December 31, 2017. Total rental expenditures for the Highway Funds were approximately \$3,400,000 for the year ended December 31, 2017. Minimum future rental commitments under non-cancelable leases are not material as most leases operate on a month-to-month basis or for a period of one year or less and the Highway Fund rents equipment for snow removal on an as needed basis.

8. CONTINGENT LIABILITIES

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

9. SERVICE CONCESSION ARRANGEMENTS

During 2015, the Town entered into a fifteen-year agreement with a third party to operate and collect user fees from the Davis Park Marina. The third party will pay the Town an annual licensing fee of \$115,000 and fifty percent of the gross revenues in excess of \$500,000. During the term of the agreement, the Town reports the Davis Park Marina as a capital asset. At December 31, 2017, the Town reported a receivable and deferred inflow of resources in the government-wide statements in the amount of \$1,380,000.

E. CUMMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During 2017, the Town implemented GASB Statement No. 73 *Accounting and Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which resulted in the retroactive reporting of pension liabilities and deferred outflows of resources pertaining to the length of service award program offered to the qualified volunteers of the ambulance districts.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

E. CUMMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (continued)

As a result, the Town's January 1, 2017 governmental activities net position and governmental funds fund balance was decreased by \$1,997,262 and the governmental funds fund balance was increased by \$6,447,803 as follows:

	Government Wide	Governmental Funds
Net position/fund balance, as originally reported	\$ 454,635,409	\$ -
Adjustments for impementation of GASB No. 73:		
Lenth of service award program:		
Pension liabilities	(8,646,935)	
Plan assets	6,477,803	6,477,803
Deferred outflow/inflows of resources	171,870	
Net position/fund balance, as restated	\$ 452,638,147	\$ 6,477,803

The restatement of the governmental funds fund balance pertains solely to the ambulance funds, a non-major special district of the Town.

F. SUBSEQUENT EVENTS

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

The Village of Mastic Beach (a village located within the Town of Brookhaven) (the "Village") Trustees approved a Plan of Dissolution to be effective January 1, 2018. Therefore, effective January 1, 2018, the Town will provide all governmental services to the property owners located with the geographic area of the Village and as such these property owners will be assessed Town real property taxes accordingly. The outstanding Village debt as of the date of dissolution ("legacy debt") will be assumed by the Town and will be borne solely by the property owners within the geographic area of the Village. Accordingly, and pursuant to GML Article 17-A, the Town established a Mastic Beach debt district fund to account for the revenues and payment of the legacy debt.

G. NEW PRONOUNCEMENTS

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

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

Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, 68 and 73*", is to be implemented over multiple years. The objective of this Statement to be implemented in the future is to address issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and. In those certain circumstances, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83, "*Certain Assets Retirement Obligations*" establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. It also addresses that measurement of both the asset retirement obligation and deferred outflows of resources should be based on the estimated of the current value of expected outlays. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

TOWN OF BROOKHAVEN
NOTES TO FINANCIAL STATEMENTS

G. NEW PRONOUNCEMENTS (continued)

Statement No. 84, *"Fiduciary Activities"*, establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus is generally on 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. The Statement establishes the four fiduciary funds that should be reported (as applicable): 1) pension and other employee benefit trust funds, 2) investment trust funds, 3) private purpose trust funds, and 4) custodial funds. This Statement also provides guidance for the recognition of a liability when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 85, *"Omnibus 2017"*, was issued to address practice issues identified in the implementation and application of certain GASB Statements. It addresses many topics including, but not limited to: blending component units, goodwill, fair value measurement and applications, and postemployment benefits such as pension and other postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86, *"Certain Debt Extinguishment Issues"*, was issued to improve the consistency in accounting and reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. This Statement clarifies that the governments should recognize any difference between the reacquisition price (the amount required to be placed in trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance, regardless if utilizing existing resources or issuing refunding debt. It also clarifies that any prepaid insurance related to the extinguished debt be included in the net carrying amount of debt for purposes of calculating the difference between the reacquisition price and carrying amount of the debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, *"Leases"*, establishes accounting and financial reporting of leases. It requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For leases with terms in-excess of 12 months, the Statement requires the leases to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 31, 2019.

Statement No. 88, *"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"* was issued to improve information disclosed in the notes to financial statements related to debt and clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

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

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

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

TOWN OF BROOKHAVEN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 23,443,399	\$ 23,443,399	\$ 23,443,399	\$ -
Total Real Property Taxes	23,443,399	23,443,399	23,443,399	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	475,000	475,000	408,009	(66,991)
Interest and penalties on real property taxes	700,000	700,000	765,344	65,344
Total Other Real Property Tax Items	1,175,000	1,175,000	1,173,353	(1,647)
NON-PROPERTY TAX ITEMS				
Franchise taxes	8,400,000	8,400,000	9,296,249	896,249
Total Non-Property Tax Items	8,400,000	8,400,000	9,296,249	896,249
DEPARTMENTAL INCOME				
Assessor fees	430,000	430,000	417,209	(12,791)
Town clerk fees	35,950	35,950	38,207	2,257
Attorney fees	11,075	11,075	163,661	152,586
Public pound charges	55,000	55,000	94,924	39,924
Other public safety	130,000	130,000	129,160	(840)
Charges - Programs for the Aging	33,000	33,000	28,085	(4,915)
Park and recreational charges	2,749,320	2,749,320	2,815,682	66,362
Recreation concessions	178,000	178,000	167,517	(10,483)
Special recreational facility charges	1,941,535	1,941,535	1,872,315	(69,220)
Other culture and recreation	166,850	160,900	224,533	63,633
Landfill and recycling charges	46,458,000	46,458,000	51,262,778	4,804,778
Zoning fees	200,000	200,000	68,032	(131,968)
Environmental conservation	80,000	80,000	163,405	83,405
Small Business Advisory Council fees	12,000	12,000	14,950	2,950
Other home and community	1,188,458	1,616,108	883,269	(732,839)
Total Departmental Income	53,669,188	54,090,888	58,343,727	4,252,839
INTERGOVERNMENTAL CHARGES				
Landfill and recycling charges	8,500,000	8,500,000	8,409,168	(90,832)
Total Intergovernmental Charges	8,500,000	8,500,000	8,409,168	(90,832)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	145,150	145,150	368,759	223,609
Rental of real property	4,203,000	4,203,000	4,346,896	143,896
Rental - other	18,030	18,030	18,535	505
Total Use of Money and Property	4,366,180	4,366,180	4,734,190	368,010
LICENSES AND PERMITS				
Business and occupational licenses	74,000	74,000	71,740	(2,260)
Games of chance	375	375	240	(135)
Bingo license	33,000	33,000	41,609	8,609
Dog licenses	36,000	36,000	35,013	(987)
Other licenses and permits	100,000	100,000	85,120	(14,880)
Total Licenses and Permits	243,375	243,375	233,722	(9,653)

(continued)

TOWN OF BROOKHAVEN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
FINE AND FORFEITURES				
Abandoned car storage and redemption	115,000	115,000	99,904	(15,096)
Abandoned car auctions	70,000	70,000	78,626	8,626
Total Fines and Forfeitures	<u>185,000</u>	<u>185,000</u>	<u>178,530</u>	<u>(6,470)</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales, recycling	40,000	40,000	52,832	12,832
Sales, other	104,700	104,700	87,409	(17,291)
Sales of real property	700,000	700,000	5,750	(694,250)
Sales of equipment	135,000	135,000	46,742	(88,258)
Insurance recoveries	30,000	30,000	63,856	33,856
Other compensation for loss	1,785,294	1,785,294	1,997,238	211,944
Total Sale of Property and Compensation for Loss	<u>2,794,994</u>	<u>2,794,994</u>	<u>2,253,827</u>	<u>(541,167)</u>
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			144,822	144,822
Grants from local governments	723,712	727,388	613,213	(114,175)
Gifts and donations	98,000	98,000	84,620	(13,380)
Other miscellaneous revenue	11,350	11,350	1,571	(9,779)
Total Miscellaneous Local Sources	<u>833,062</u>	<u>836,738</u>	<u>844,226</u>	<u>7,488</u>
INTERFUND REVENUES				
Interfund revenue	3,396,884	3,396,884	3,267,077	(129,807)
Total Interfund Revenue	<u>3,396,884</u>	<u>3,396,884</u>	<u>3,267,077</u>	<u>(129,807)</u>
STATE AID				
Mortgage tax	12,000,000	12,000,000	14,996,106	2,996,106
Other general government	21,580	22,006	80,950	58,944
Youth programs	409,427	432,243	388,373	(43,870)
Emergency disaster assistance grant			43,936	43,936
Home and community grant		133,870	282,294	148,424
Total State Aid	<u>12,431,007</u>	<u>12,588,119</u>	<u>15,791,659</u>	<u>3,203,540</u>
FEDERAL AID				
Nutrition program for the aging	730,290	730,290	419,135	(311,155)
Other federal aid	220,450	300,450	293,304	(7,146)
Emergency disaster assistance grant			265,372	265,372
Other home and community service	28,111	28,111	24,195	(3,916)
Total Federal Aid	<u>978,851</u>	<u>1,058,851</u>	<u>1,002,006</u>	<u>(56,845)</u>
Total Revenues	<u>\$ 120,416,940</u>	<u>\$ 121,079,428</u>	<u>\$ 128,971,133</u>	<u>\$ 7,891,705</u>

(continued)

TOWN OF BROOKHAVEN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
CURRENT:				
GENERAL GOVERNMENT SUPPORT				
Town council office	\$ 1,854,994	\$ 1,856,529	\$ 1,776,257	\$ 80,272
Supervisor's office	1,021,197	1,017,405	970,298	47,107
451 call center	535,130	535,130	521,701	13,429
Comptroller	3,065,725	3,245,529	3,007,643	237,886
Tax receiver	1,944,376	1,944,071	1,731,654	212,417
Purchasing	819,733	832,285	828,642	3,643
Assessor	3,992,942	3,962,492	3,553,525	408,967
Board of assessment review	36,817	36,817	33,824	2,993
Town clerk	1,454,290	1,344,545	1,192,062	152,483
Town attorney	4,175,823	4,308,935	4,105,620	203,315
Personnel	1,052,084	1,074,884	1,031,095	43,789
Board of ethics	36,178	36,178	34,744	1,434
Public information	619,640	691,384	620,174	71,210
Buildings and grounds	709,950	636,099	566,786	69,313
Vehicle control	2,325,925	2,294,920	2,189,154	105,766
Central reproduction and mailing	695,460	679,762	654,791	24,971
Information technology	4,852,782	4,989,494	4,707,694	281,800
General services administration	837,455	844,761	835,593	9,168
Unallocated insurance and judgments and claims	3,060,000	2,910,557	2,631,472	279,085
Other general government support	6,288,353	6,625,769	5,978,071	647,698
Total General Government Support	<u>39,378,854</u>	<u>39,867,546</u>	<u>36,970,800</u>	<u>2,896,746</u>
PUBLIC SAFETY				
Public safety administration	614,162	654,624	635,469	19,155
Code enforcement	195,713	203,897	193,492	10,405
Animal shelter	2,489,629	2,489,629	2,251,311	238,318
Harbors and waterways	812,674	819,615	719,290	100,325
Total Public Safety	<u>4,112,178</u>	<u>4,167,765</u>	<u>3,799,562</u>	<u>368,203</u>
TRANSPORTATION				
Highway administration	2,312,658	2,294,479	2,192,633	101,846
Total Transportation	<u>2,312,658</u>	<u>2,294,479</u>	<u>2,192,633</u>	<u>101,846</u>
ECONOMIC ASSISTANCE AND OPPORTUNITY				
Economic development	273,690	273,690	228,924	44,766
Veterans services	40,250	49,950	49,735	215
Programs for the aging	1,758,151	1,744,613	1,452,430	292,183
Total Economic Assistance And Opportunity	<u>2,072,091</u>	<u>2,068,253</u>	<u>1,731,089</u>	<u>337,164</u>

(continued)

TOWN OF BROOKHAVEN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
CULTURE AND RECREATION				
Parks and recreation administration	1,216,869	1,167,353	1,079,146	88,207
Parks division	13,346,462	13,166,637	12,821,429	345,208
Recreation centers	676,221	689,932	569,253	120,679
Beaches and pools facilities	1,984,035	2,161,720	2,094,929	66,791
Marina and dock facilities	1,053,976	1,022,229	998,324	23,905
Youth programs	899,454	839,647	774,311	65,336
Youth bureau	1,607,123	1,588,439	1,389,678	198,761
Historian	59,553	59,993	49,486	10,507
Adult recreation programs	167,945	158,304	157,110	1,194
Ecology center	768,815	784,999	768,730	16,269
Programs for the disabled	190,560	185,860	168,603	17,257
Total Culture and Recreation	<u>21,971,013</u>	<u>21,825,113</u>	<u>20,870,999</u>	<u>954,114</u>
HOME AND COMMUNITY SERVICES				
Environmental protection	1,158,223	1,279,288	1,124,285	155,003
Refuse and garbage	13,692,993	14,145,019	12,612,666	1,532,353
Community development administration	583,324	610,224	515,259	94,965
Women services	106,851	106,902	103,699	3,203
Total Home and Community Services	<u>15,541,391</u>	<u>16,141,433</u>	<u>14,355,909</u>	<u>1,785,524</u>
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		61,441	61,257	184
Social security	80,769	99,591	99,591	
Workers' compensation	2,645,000	2,643,573	2,439,464	204,109
Life insurance	56,055	66,859	63,718	3,141
Unemployment benefits	175,000	167,035	140,967	26,068
Hospital, medical and dental- retirees	6,285,935	6,068,013	6,000,790	67,223
Other employee benefits	19,590	23,054	21,154	1,900
Total Employee Benefits	<u>9,262,349</u>	<u>9,129,566</u>	<u>8,826,941</u>	<u>302,625</u>
Total Current	<u>94,650,534</u>	<u>95,494,155</u>	<u>88,747,933</u>	<u>6,746,222</u>
DEBT SERVICE				
Debt principal - installment purchase debt	96,000	96,000	95,632	368
Debt interest - installment purchase debt	950	950	288	662
Total Debt Service	<u>96,950</u>	<u>96,950</u>	<u>95,920</u>	<u>1,030</u>
Total Expenditures	<u>94,747,484</u>	<u>95,591,105</u>	<u>88,843,853</u>	<u>6,747,252</u>
Excess of Revenues				
Over Expenditures	<u>25,669,456</u>	<u>25,488,323</u>	<u>40,127,280</u>	<u>14,638,957</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		1,028,420	1,028,420	-
Premium and accrued interest on obligations			2,311,668	2,311,668
Transfers out	(25,669,456)	(37,379,812)	(37,365,218)	14,594
Total Other Financing Sources (Uses)	<u>(25,669,456)</u>	<u>(36,351,392)</u>	<u>(34,025,130)</u>	<u>2,326,262</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (10,863,069)</u>	<u>6,102,150</u>	<u>\$ 16,965,219</u>
Fund Balance at Beginning of Year			<u>56,957,204</u>	
Fund Balance at End of Year			<u>\$ 63,059,354</u>	

TOWN OF BROOKHAVEN
TOWN OUTSIDE VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 8,049,498	\$ 8,049,498	\$ 8,049,498	\$ -
Total Real Property Taxes	8,049,498	8,049,498	8,049,498	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	10,000	10,000	7,101	(2,899)
Interest and penalties on real property taxes	125	125	248	123
Total Other Real Property Tax Items	10,125	10,125	7,349	(2,776)
DEPARTMENTAL INCOME				
Safety inspection fees	5,418,500	5,418,500	8,764,637	3,346,137
Charges for demolition on unsafe buildings	750,000	1,010,000	1,176,456	166,456
Public health fees	270,000	270,000	298,254	28,254
Zoning fees	940,000	940,000	1,089,189	149,189
Planning division fees	1,973,500	1,973,500	2,355,697	382,197
Other home and community	136,000	136,000	155,278	19,278
Total Departmental Income	9,488,000	9,748,000	13,839,511	4,091,511
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	25,000	25,000	89,408	64,408
Total Use of Money and Property	25,000	25,000	89,408	64,408
LICENSES AND PERMITS				
Taxi cab and towing licenses	75,000	75,000	93,014	18,014
Total Licenses and Permits	75,000	75,000	93,014	18,014
FINES AND FORFEITURES				
Parking violation fines and handicap surcharge	550,000	550,000	630,531	80,531
Other fines	725,000	725,000	1,607,460	882,460
Total Fines and Forfeitures	1,275,000	1,275,000	2,237,991	962,991
MISCELLANEOUS LOCAL SOURCES				
Grants from local governments		50,000	44,350	(5,650)
Other miscellaneous revenue	340,000	340,000	391,994	51,994
Total Miscellaneous Local Sources	340,000	390,000	436,344	46,344
INTERFUND REVENUES				
Interfund revenue			10,829	10,829
Total Interfund Revenue			10,829	10,829
STATE AID				
Revenue sharing - per capita	1,808,932	1,808,932	1,808,932	-
Other general government		25,000	6,951	(18,049.0)
Total State Aid	1,808,932	1,833,932	1,815,883	(18,049)
FEDERAL AID				
Other federal aid			1,116	1,116
Emergency disaster assistance grant			1,025	1,025
Total Federal Aid			2,141	2,141
Total Revenues	\$ 21,071,555	\$ 21,406,555	\$ 26,581,968	\$ 5,175,413 (continued)

TOWN OF BROOKHAVEN
TOWN OUTSIDE VILLAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
GENERAL GOVERNMENT SUPPORT				
Other general government support	\$ 3,107,235	\$ 3,112,649	\$ 2,921,600	\$ 191,049
Total General Government Support	3,107,235	3,112,649	2,921,600	191,049
PUBLIC SAFETY				
Buildings division	4,879,588	4,962,679	4,868,269	94,410
Fire marshals	2,609,470	2,578,288	2,460,583	117,705
Demolition of unsafe buildings	886,818	1,462,350	1,372,715	89,635
Code enforcement	1,053,615	1,123,631	1,034,219	89,412
Parking violations bureau	67,196	79,064	78,694	370
Investigators	1,931,161	1,909,780	1,785,158	124,622
Total Public Safety	11,427,848	12,115,792	11,599,638	516,154
HEALTH				
Registrar of vital statistics	639,093	639,093	577,297	61,796
Total Health	639,093	639,093	577,297	61,796
HOME AND COMMUNITY SERVICES				
Zoning Board	952,835	984,580	969,540	15,040
Planning	3,123,709	3,148,547	3,086,016	62,531
Accessory apartment review board	29,448	30,698	29,939	759
Total Home and Community Services	4,105,992	4,163,825	4,085,495	78,330
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		3,571	1,517	2,054
Social security	19,125	21,826	21,826	-
Workers' compensation	145,000	181,259	135,401	45,858
Life insurance	13,000	13,000	10,942	2,058
Unemployment benefits	7,000	7,000	4,353	2,647
Hospital, medical and dental- retirees	1,061,795	1,035,404	1,027,735	7,669
Total Employee Benefits	1,245,920	1,262,060	1,201,774	60,286
Total Current	20,526,088	21,293,419	20,385,804	907,615
Total Expenditures	20,526,088	21,293,419	20,385,804	907,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	545,467	113,136	6,196,164	6,083,028
OTHER FINANCING SOURCES (USES)				
Premium and accrued interest on obligations			245,185	245,185
Transfers in		107,709	107,709	-
Transfers out	(545,467)	(2,830,565)	(2,830,489)	76
Total Other Financing Sources (Uses)	(545,467)	(2,722,856)	(2,477,595)	245,261
Net Change in Fund Balance	\$ -	\$ (2,609,720)	3,718,569	\$ 6,328,289
Fund Balance at Beginning of Year			8,973,571	
Fund Balance at End of Year			\$ 12,692,140	

TOWN OF BROOKHAVEN
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 63,548,474	\$ 63,548,474	\$ 63,548,474	\$ -
Total Real Property Taxes	63,548,474	63,548,474	63,548,474	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	770,000	770,000	823,338	53,338
Interest and penalties on real property taxes	1,050	1,050	1,959	909
Total Other Real Property Tax Items	771,050	771,050	825,297	54,247
DEPARTMENTAL INCOME				
Other transportation departmental income	272,500	272,500	141,174	(131,326)
Total Departmental Income	272,500	272,500	141,174	(131,326)
INTERGOVERNMENTAL CHARGES				
Highway services	266,500	266,500	205,907	(60,593)
Total Intergovernmental Charges	266,500	266,500	205,907	(60,593)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	105,000	105,000	208,561	103,561
Total Use of Money and Property	105,000	105,000	208,561	103,561
LICENSES AND PERMITS				
Other licenses and permits	380,000	380,000	559,524	179,524
Total Licenses and Permits	380,000	380,000	559,524	179,524
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales of equipment	120,000	120,000	118,855	(1,145)
Insurance recoveries			15,455	15,455
Total Sale of Property and Compensation for Loss	120,000	120,000	134,310	14,310
STATE AID				
Other general government	31,500	31,500		(31,500)
Other public safety grants			9,579	9,579
Total State Aid	31,500	31,500	9,579	(21,921)
FEDERAL AID				
Other federal aid	327,208	327,208	327,006	(202)
Total Federal Aid	327,208	327,208	327,006	(202)
Total Revenues	\$ 65,822,232	\$ 65,822,232	\$ 65,959,832	\$ 137,600

(continued)

TOWN OF BROOKHAVEN
HIGHWAY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
TRANSPORTATION				
Maintenance of streets	\$ 24,245,383	\$ 23,090,965	\$ 22,676,281	\$ 414,684
Machinery - highway	3,522,496	3,500,822	3,007,297	493,525
Traffic safety	2,362,421	2,353,846	2,212,712	141,134
Snow removal	5,925,023	6,665,810	6,463,340	202,470
Other transportation	2,803,104	2,776,366	2,448,026	328,340
Total Transportation	<u>38,858,427</u>	<u>38,387,809</u>	<u>36,807,656</u>	<u>1,580,153</u>
UNALLOCATED EMPLOYEE BENEFITS				
Retirement system		16,328	16,204	124
Social security	35,190	72,032	70,470	1,562
Workers' compensation	1,430,500	1,758,210	1,710,850	47,360
Life insurance	30,255	32,050	31,897	153
Unemployment benefits	7,500	5,000	406	4,594
Hospital, medical and dental- retirees	3,250,987	3,326,211	3,281,036	45,175
Other employee benefits	250	250		250
Total Employee Benefits	<u>4,754,682</u>	<u>5,210,081</u>	<u>5,110,863</u>	<u>99,218</u>
Total Expenditures	<u>43,613,109</u>	<u>43,597,890</u>	<u>41,918,519</u>	<u>1,679,371</u>
Excess of Revenues Over Expenditures	<u>22,209,123</u>	<u>22,224,342</u>	<u>24,041,313</u>	<u>1,816,971</u>
OTHER FINANCING SOURCES (USES)				
Premium and accrued interest on obligations			2,184,054	2,184,054
Transfers in		121,732	121,732	-
Transfers out	(22,965,856)	(25,871,642)	(25,870,419)	1,223
Total Other Financing Sources (Uses)	<u>(22,965,856)</u>	<u>(25,749,910)</u>	<u>(23,564,633)</u>	<u>2,185,277</u>
Net Change in Fund Balance	<u>\$ (756,733)</u>	<u>\$ (3,525,568)</u>	<u>476,680</u>	<u>\$ 4,002,248</u>
Fund Balance at Beginning of Year			<u>16,683,350</u>	
Fund Balance at End of Year			<u>\$ 17,160,030</u>	

TOWN OF BROOKHAVEN
REFUSE AND GARBAGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 39,894,935	\$ 39,894,935	\$ 39,887,693	\$ (7,242)
Total Real Property Taxes	<u>39,894,935</u>	<u>39,894,935</u>	<u>39,887,693</u>	<u>(7,242)</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	700	700	1,229	529
Total Other Real Property Tax Items	<u>700</u>	<u>700</u>	<u>1,229</u>	<u>529</u>
DEPARTMENTAL INCOME				
MRF recycling	570,000	570,000	580,793	10,793
Cleanup of premises	382,000	382,000	336,878	(45,122)
Total Departmental Income	<u>952,000</u>	<u>952,000</u>	<u>917,671</u>	<u>(34,329)</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	70,000	70,000	131,651	61,651
Total Use of Money and Property	<u>70,000</u>	<u>70,000</u>	<u>131,651</u>	<u>61,651</u>
FINE AND FORFEITURES				
Fines and forfeited bail	35,000	35,000	30,325	(4,675)
Total Fines and Forfeitures	<u>35,000</u>	<u>35,000</u>	<u>30,325</u>	<u>(4,675)</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sales, scrap and excess materials	5,000	5,000	6,394	1,394
Total Sale of Property and Compensation for Loss	<u>5,000</u>	<u>5,000</u>	<u>6,394</u>	<u>1,394</u>
MISCELLANEOUS LOCAL SOURCES				
Gifts and donations	-	-	2,000	2,000
Total Miscellaneous Local Sources	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
STATE AID				
Recycling grant	20,000	20,000	181,241	161,241
Total State Aid	<u>20,000</u>	<u>20,000</u>	<u>181,241</u>	<u>161,241</u>
Total Revenues	<u>40,977,635</u>	<u>40,977,635</u>	<u>41,158,204</u>	<u>180,569</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	42,913,751	42,959,801	42,442,293	517,508
Total Home and Community Services	<u>42,913,751</u>	<u>42,959,801</u>	<u>42,442,293</u>	<u>517,508</u>
Total Expenditures	<u>42,913,751</u>	<u>42,959,801</u>	<u>42,442,293</u>	<u>517,508</u>
Net Change in Fund Balance	<u>\$ (1,936,116)</u>	<u>\$ (1,982,166)</u>	<u>(1,284,089)</u>	<u>\$ 698,077</u>
Fund Balance at Beginning of Year			<u>8,291,962</u>	
Fund Balance at End of Year			<u>\$ 7,007,873</u>	

TOWN OF BROOKHAVEN
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2017	\$ -0-	\$ 374,800,952	\$ 374,800,952	0.00%	\$ 66,208,737	566.09%
1/1/2015	\$ -0-	\$ 354,815,252	\$ 354,815,252	0.00%	\$ 69,526,032	510.33%
1/1/2013	\$ -0-	\$ 313,443,062	\$ 313,443,062	0.00%	\$ 68,518,018	457.46%

Summary of Changes in Actuarial Assumptions:

January 1, 2017 Actuarial Valuation

- Demographic and plan cost- the plan had accumulated experience gain over the past two years	\$ (26,494,178)
- Healthcare cost trend for non-Medicare plans was reset to 9.0%, grading down 0.5% per annum to an ultimate rate of 5.0% in 2025 and later; and incorporation of age specific costs in developing plan costs and obligations	11,680,344
	<u>\$ (14,813,834)</u>

January 1, 2015 Actuarial Valuation

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

TOWN OF BROOKHAVEN
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY - EMPLOYEES RETIREMENT SYSTEM
December 31, 2017

	March 31,			
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.2622855%	0.2599848%	0.2599848%	0.2599848%
Town's proportionate share of the net pension liability (asset)	\$ 24,644,931	\$ 41,812,983	\$ 8,782,921	\$ 11,748,347
Covered payroll	\$ 69,167,716	\$ 66,471,512	\$ 62,039,687	\$ 67,129,070
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.63%	62.90%	14.16%	17.50%
Plan fiduciary net position as a percentage of total pension liability	94.70%	90.70%	97.95%	97.20%

Notes:

Amounts presented were determined as of the System's measurement date of March 31st.

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes in assumptions from the March 31, 2015 to March 31, 2016 Plan year:

- The interest (discount) rate was lowered from 7.5% to 7.0% in the actuarial valuation used in the Plan's March 31, 2016 financial statement.
- The inflation rate was decreased from 2.7% to 2.5%.

TOWN OF BROOKHAVEN
SCHEDULE OF PENSION CONTRIBUTIONS - EMPLOYEES RETIREMENT SYSTEM
December 31, 2017

Years Ended December 31,	Contractually required contributions	Contributions recognized by the plan in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2017	\$ 10,118,695	\$ 10,118,695	\$ -	\$ 66,208,737	15.28%
2016	10,227,415	10,227,415	-	66,897,904	15.29%
2015	11,287,405	11,287,405	-	62,850,953	17.96%
2014	11,507,519	9,381,789	2,125,730	62,039,687	15.12%
2013	13,211,365	11,085,635	2,125,730	67,129,070	16.51%
2012	11,116,920	7,030,468	4,086,452	65,867,689	10.67%
2011	8,739,756	6,764,299	1,975,457	64,905,345	10.42%
2010	7,327,958	6,502,951	825,007	72,212,044	9.01%
2009	5,401,873	5,401,873	-	72,657,931	7.43%
2008	5,581,026	5,581,026	-	67,668,692	8.25%

Notes:

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

The Plan used the April 1, 2014 actuarial valuation to determine the employer rates for contributions payable to the Plan for the Plan's year end March 31, 2016.

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP-2014.

**OTHER SUPPLEMENTARY
INFORMATION**

Combining and Individual Fund Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Non-Major Special Revenue Funds and Schedules. The budgets are adopted on a basis of accounting consistent with GAAP.

TOWN OF BROOKHAVEN
SCHEDULE OF PENSION LIABILITIES - LOSAP PLANS
December 31, 2017

Measurement Date	December 31, 2016
No Special Funding Situations:	
Total Pension Liability:	
Service Cost	\$ 444,692
Interest	251,549
Changes of assumptions or other inputs	(753,378)
Differences between expected and actual experience	(88,916)
Benefit payments	(84,074)
Total pension liability - beginning of year	<u>7,458,251</u>
Total Pension Liability - end of year	<u>\$ 7,228,124</u>
Covered payroll	N/A
Total pension liability as a percentage of covered-employee payroll	N/A
Special Funding Situations:	
Town's proportion of the total pension liabilities	50.0% and 51.0%
Town's proportionate share of the total pension liabilities	<u>\$ 1,091,514</u>

Notes:

Changes of assumptions or other inputs

The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2015	3.20%
December 31, 2016	3.71%

Trust Assets

There are no assets accounted in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

TOWN OF BROOKHAVEN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS- SPECIAL REVENUE FUNDS
 December 31, 2017

	Special Revenue Funds							Total Non-major Governmental Funds
	Special Grants	Housing Trust	Park Reserve Escrow	Highway Reserve Escrow	Drainage Reserve Escrow	Airport	Special Districts	
ASSETS								
Cash and cash equivalents	\$ 2,835,811	\$ 75,348	\$ 768,222	\$ 1,739,028	\$ 197,863	\$ 189,804	\$ 10,215,444	\$ 16,021,620
Accounts receivable, net of allowance of \$7,507	72,534		4,957				5,948	1,536,861
Due from other funds	19,165					4,878	4	34,848
State and federal aid receivables	45,376					1		45,381
Loans receivable	342,507							342,507
Prepays	2,412					16,109		2,412
Length of service award program plan investments	36,580						13,546	66,235
							7,551,538	7,551,538
Total Assets	\$ 3,354,385	\$ 75,348	\$ 773,179	\$ 1,739,028	\$ 197,863	\$ 210,892	\$ 17,786,380	\$ 25,601,402
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 48,743		\$ 41			\$ 3,241	\$ 996,759	\$ 1,048,784
Accrued liabilities	86,525					47,510	373,493	507,468
Due to other funds	75,625					4,307	1,948	81,880
Due to trust and agency funds								500
Due to other governments	72,534	\$ 75,000	500					72,534
Unearned revenue	2,412							77,412
Total Liabilities	285,839	75,000	541			55,058	1,372,140	1,788,579
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue							412,152	412,152
Real property taxes							412,152	412,152
FUND BALANCES								
Nonspendable	36,580					16,109	13,546	1,530,562
Restricted	3,031,966	348	772,638	1,739,028	197,863	139,138	7,731,254	10,763,807
Assigned							8,257,288	11,105,303
Total Fund Balances	3,068,546	348	772,638	1,739,028	197,863	155,834	16,002,086	23,400,672
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,354,385	\$ 75,348	\$ 773,179	\$ 1,739,028	\$ 197,863	\$ 210,892	\$ 17,786,380	\$ 25,601,402

TOWN OF BROOKHAVEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 Year Ended December 31, 2017

	Special Revenue Funds							Permanent Fund		Total Non-major Governmental Funds
	Special Grants	Housing Trust	Park Reserve Escrow	Highway Reserve Escrow	Drainage Reserve Escrow	Airport	Special Districts	West Meadow Beach Endowment		
REVENUES										
Real property taxes	\$ 1,092,851	\$ 348	\$ 537,779	\$ 114,690	\$ 698	\$ 103,821	\$ 20,832,667	\$ 7,387	\$ 20,832,667	
Other real property tax items	4,982		2,029	5,947		240,141	94,278		94,278	
Departmental income							5,698		5,698	
Use of money and property							1,236,248		1,236,248	
Sale of property and compensation for loss							13,240		13,240	
Miscellaneous local sources	260,472						180,358		180,358	
State aid							9,282		9,282	
Federal aid	19,297,575						9,196		9,196	
Total Revenues	17,655,880	348	539,808	120,637	698	343,962	22,380,967	7,387	41,049,687	
EXPENDITURES										
Current:										
Public safety							594,421		594,421	
Health							10,457,271		10,457,271	
Transportation						706,517	4,913,381		5,619,898	
Culture and recreation							31,075		31,075	
Home and community services	17,540,019						2,680,895		20,220,914	
Total Expenditures	17,540,019					706,517	18,677,043		36,923,579	
Excess (Deficiency) of Revenues Over (Under) Expenditures	115,861	348	539,808	120,637	698	(362,555)	3,703,924	7,387	4,126,108	
OTHER FINANCING (USES)										
Transfers in							437,493		437,493	
Transfers out			(200,000)				(91,088)		(3,580,883)	
Premiums on obligations							16,161		832,707	
Total Other Financing Sources (Uses)			(200,000)				362,556		(2,279,020)	
Net Change in Fund Balances	115,861	348	339,808	120,637	698	1	1,262,348	7,387	1,847,088	
Fund Balances at Beginning of Year	2,952,685		432,830	1,618,391	197,165	155,833	8,261,937	1,456,940	15,075,781	
Cumulative Effect of Change in Accounting Principle							6,477,803		6,477,803	
Fund Balances at End of Year	\$ 3,068,546	\$ 348	\$ 772,638	\$ 1,739,028	\$ 197,863	\$ 155,834	\$ 15,002,086	\$ 1,464,327	\$ 28,400,672	

TOWN OF BROOKHAVEN
BROOKHAVEN CALABRO AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
DEPARTMENTAL INCOME				
Airport fees and rental	\$ 115,000	\$ 115,000	\$ 103,821	\$ (11,179)
Total Departmental Income	115,000	115,000	103,821	(11,179)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	700	700	(73)	(773)
Rental - other	275,000	275,000	240,214	(34,786)
Total Use of Money and Property	275,700	275,700	240,141	(35,559)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of Real Property	423,058	423,058		(423,058)
Total Sale of Property and Compensation for Loss	423,058	423,058	-	(423,058)
 Total Revenues	 813,758	 813,758	 343,962	 (469,796)
EXPENDITURES				
Current:				
TRANSPORTATION				
Airport operations	747,945	747,945	706,517	41,428
Total Airport Operations	747,945	747,945	706,517	41,428
Total Expenditures	747,945	747,945	706,517	41,428
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,813	65,813	(362,555)	(428,368)
OTHER FINANCING (USES)				
Premiums			16,161	16,161
Transfers in		437,493	437,493	-
Transfers out	(65,813)	(91,100)	(91,098)	2
Total Other Financing (Uses)	(65,813)	346,393	362,556	16,163
Net Change in Fund Balances	\$ -	\$ 412,206	1	\$ (412,205)
Fund Balances at Beginning of Year			155,833	
Fund Balances at End of Year			\$ 155,834	

TOWN OF BROOKHAVEN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL SPECIAL DISTRICT FUNDS
 December 31, 2017

	Special Revenue Funds										Totals	
	Ambulance Districts	Dock Districts	Erosion Control Districts	Fire Protection Districts	Street Lighting District	Park Districts	Refuse and Garbage Districts	Sewer Districts	Sidewalk Districts	Water Districts		
ASSETS												
Cash and cash equivalents	\$ 2,798,864	\$ 533,465	\$ 2,242,996	\$ 196,209	\$ 2,137,415	\$ 110,208	\$ 252,296	\$ 1,114,297	\$ 13,597	\$ 816,097	\$ 10,215,444	
Accounts receivable	5,446				402						5,848	
Due from other funds	4										4	
Prepays		453			13,093						13,546	
Length of service award program plan investments	7,551,538										7,551,538	
Total Assets	\$ 10,355,852	\$ 533,918	\$ 2,242,996	\$ 196,209	\$ 2,150,910	\$ 110,208	\$ 252,296	\$ 1,114,297	\$ 13,597	\$ 816,097	\$ 17,786,390	
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ 3,634	\$ 1,522			\$ 736,483	\$ 5,476	\$ 95,953	\$ 36,565	\$ 117,126	\$ 986,759		
Accrued liabilities	392,618				31,828			8,987		373,433		
Due to other funds	212				265	1,471				1,948		
Total Liabilities	396,464	1,522	\$ -	\$ -	768,576	6,947	95,953	45,552	\$ -	117,126	1,372,140	
DEFERRED INFLOWS OF RESOURCES												
Unavailable revenue												
Real property taxes	231,296	8,307	5,650	12,339	99,462	1,038	27,671	12,950		13,439	412,152	
Total Deferred Inflows of Resources	231,296	8,307	5,650	12,339	99,462	1,038	27,671	12,950	-	13,439	412,152	
FUND BALANCES												
Nonspendable	7,656,837	453		3,290	13,093						13,546	
Restricted	2,131,255	523,636	2,237,346	180,580	1,198,652	102,223	128,672	1,055,795	13,597	685,532	7,731,264	
Assigned	9,788,092	524,089	2,237,346	183,870	1,282,872	102,223	128,672	1,055,795	13,597	685,532	8,257,288	
Total Fund Balances	9,788,092	524,089	2,237,346	183,870	1,282,872	102,223	128,672	1,055,795	13,597	685,532	16,002,088	
Total Liabilities and Fund Balances	\$ 10,355,852	\$ 533,918	\$ 2,242,996	\$ 196,209	\$ 2,150,910	\$ 110,208	\$ 252,296	\$ 1,114,297	\$ 13,597	\$ 816,097	\$ 17,786,390	

TOWN OF BROOKHAVEN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL
SPECIAL DISTRICT FUNDS
 Year Ended December 31, 2017

	Special Revenue Funds										Totals	
	Ambulance Districts	Dock Districts	Erosion Control Districts	Fire Protection Districts	Street Lighting District	Park Districts	Refuse and Garbage Districts	Sewer Districts	Sidewalk Districts	Water Districts		
REVENUES												
Real property taxes	\$ 12,071,133	\$ 263,018	\$ 300,856	\$ 616,783	\$ 4,723,260	\$ 52,890	\$ 1,460,601	\$ 679,641	\$ 664,485	\$ 20,892,667		
Other real property tax items	53,488	8	9	19	38,629	2	45	21	2,057	94,278		
Departmental income										5,698		
Use of money and property	1,140,938	43,518	14,179	1,462	18,576	741	3,097	7,831	5,820	1,236,248		
Sale of property and compensation for loss					13,240					13,240		
Miscellaneous local sources					180,358					180,358		
State aid	3,854		9,282							9,282		
Federal aid	1,159		1,159		4,183					9,196		
	13,269,413	306,544	325,485	618,264	4,878,246	53,633	1,463,743	687,493	678,060	22,380,967		
EXPENDITURES												
Current												
Public safety				594,421							594,421	
Health	10,457,271	163,996			4,749,385						10,457,271	
Transportation			161,536			31,075					31,075	
Culture and recreation								489,707			489,707	
Home and community services					4,749,385						4,749,385	
	10,457,271	163,996	161,536	594,421	4,749,385	31,075	1,450,393	489,707	579,259	2,680,895		
Total Expenditures												
	2,812,142	142,548	163,949	23,843	228,961	22,558	13,350	197,786	98,801	3,703,924		
Excess (Deficiency) of Revenues Over (Under) Expenditures												
	7,650	(301,976)	(86,033)	(1,134)	24,013	-	(283,022)	(283,022)	(283,022)	31,663		
OTHER FINANCING (USES)												
Transfers in	(2,246,006)	145,412			(371,614)					(3,289,765)		
Transfers out	671,134									671,134		
Premiums on obligations												
Total Other Financing (Uses)	(1,567,222)	(156,564)	(86,033)	(1,134)	(347,601)	-	(283,022)	(283,022)	(283,022)	(2,441,576)		
Net Change in Fund Balances	1,244,920	(14,016)	77,916	22,709	(118,740)	22,558	13,350	(85,236)	98,801	1,262,348		
Fund Balances at Beginning of Year	2,065,369	598,105	2,159,430	161,161	1,401,612	79,665	115,322	1,141,031	586,731	8,261,937		
Cumulative Effect of Change in Accounting Principle	6,477,803									6,477,803		
Fund Balances at End of Year	\$ 9,788,092	\$ 524,089	\$ 2,237,346	\$ 183,870	\$ 1,282,872	\$ 102,223	\$ 128,672	\$ 1,055,795	\$ 13,597	\$ 16,002,068		

TOWN OF BROOKHAVEN
AMBULANCE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 12,071,133	\$ 12,071,133	\$ 12,071,133	\$ -
Total Real Property Taxes	<u>12,071,133</u>	<u>12,071,133</u>	<u>12,071,133</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	38,000	38,000	53,116	15,116
Interest and penalties on real property taxes	165	165	372	207
Total Other Real Property Tax Items	<u>38,165</u>	<u>38,165</u>	<u>53,488</u>	<u>15,323</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	9,705	9,705	24,144	14,439
Rental of real property	49,957	49,957	64,302	14,345
Investment earnings from length of service award			1,052,492	1,052,492
Total Use of Money and Property	<u>59,662</u>	<u>59,662</u>	<u>1,140,938</u>	<u>1,081,276</u>
FEDERAL AID				
Other federal aid	3,038	3,038	3,854	816
Total Federal Aid	<u>3,038</u>	<u>3,038</u>	<u>3,854</u>	<u>816</u>
Total Revenues	<u>12,171,998</u>	<u>12,171,998</u>	<u>13,269,413</u>	<u>1,097,415</u>
EXPENDITURES				
HEALTH				
Ambulance	10,667,738	10,669,224	10,457,271	211,953
Total Current Expenditures	<u>10,667,738</u>	<u>10,669,224</u>	<u>10,457,271</u>	<u>211,953</u>
Total Expenditures	<u>10,667,738</u>	<u>10,669,224</u>	<u>10,457,271</u>	<u>211,953</u>
Excess of Revenues Over Expenditures	<u>1,504,260</u>	<u>1,502,774</u>	<u>2,812,142</u>	<u>1,309,368</u>
OTHER FINANCING (USES)				
Transfers in		7,650	7,650	-
Transfers out	(1,549,229)	(2,246,011)	(2,246,006)	5
Premiums on obligations			671,134	671,134
Total Other Financing (Uses)	<u>(1,549,229)</u>	<u>(2,238,361)</u>	<u>(1,567,222)</u>	<u>671,139</u>
Net Change in Fund Balances	<u>\$ (44,969)</u>	<u>\$ (735,587)</u>	<u>1,244,920</u>	<u>\$ 1,980,507</u>
Fund Balances at Beginning of Year			2,065,369	
Cumulative Effect of Change in Accounting Principle			<u>6,477,803</u>	
Fund Balances at End of Year			<u>\$ 9,788,092</u>	

TOWN OF BROOKHAVEN
DOCK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 263,018	\$ 263,018	\$ 263,018	\$ -
Total Real Property Taxes	<u>263,018</u>	<u>263,018</u>	<u>263,018</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			8	8
Total Other Real Property Tax Items	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	1,540	1,540	4,018	2,478
Rental of real property	23,500	23,500	39,500	16,000
Total Use of Money and Property	<u>25,040</u>	<u>25,040</u>	<u>43,518</u>	<u>18,478</u>
Total Revenues	<u>288,058</u>	<u>288,058</u>	<u>306,544</u>	<u>18,486</u>
EXPENDITURES				
TRANSPORTATION				
Docks, piers and wharves	205,650	264,151	163,996	100,155
Total Transportation	<u>205,650</u>	<u>264,151</u>	<u>163,996</u>	<u>100,155</u>
Total Current	<u>205,650</u>	<u>264,151</u>	<u>163,996</u>	<u>100,155</u>
Total Expenditures	<u>205,650</u>	<u>264,151</u>	<u>163,996</u>	<u>100,155</u>
Excess of Revenues Over Expenditures	<u>82,408</u>	<u>23,907</u>	<u>142,548</u>	<u>118,641</u>
OTHER FINANCING (USES)				
Transfers out	(156,565)	(301,976)	(301,976)	-
Premiums on obligations		0	145,412	145,412
Total Other Financing (Uses)	<u>(156,565)</u>	<u>(301,976)</u>	<u>(156,564)</u>	<u>145,412</u>
Net Change in Fund Balances	<u>\$ (74,157)</u>	<u>\$ (278,069)</u>	<u>(14,016)</u>	<u>\$ 264,053</u>
Fund Balances at Beginning of Year			<u>538,105</u>	
Fund Balances at End of Year			<u>\$ 524,089</u>	

TOWN OF BROOKHAVEN
EROSION CONTROL DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 300,856	\$ 300,856	\$ 300,856	\$ -
Total Real Property Taxes	<u>300,856</u>	<u>300,856</u>	<u>300,856</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			9	9
Total Other Real Property Tax Items	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	6,615	6,614	14,179	7,565
Total Use of Money and Property	<u>6,615</u>	<u>6,614</u>	<u>14,179</u>	<u>7,565</u>
STATE AID				
Emergency disaster assistance grant			9,282	9,282
Total State Aid	<u>-</u>	<u>-</u>	<u>9,282</u>	<u>9,282</u>
FEDERAL AID				
Emergency disaster assistance grant			1,159	1,159
Total Federal Aid	<u>-</u>	<u>-</u>	<u>1,159</u>	<u>1,159</u>
Total Revenues	<u>307,471</u>	<u>307,470</u>	<u>325,485</u>	<u>18,015</u>
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Flood and erosion control	250,002	368,000	161,536	206,464
Total Expenditures	<u>250,002</u>	<u>368,000</u>	<u>161,536</u>	<u>206,464</u>
Excess of Revenues Over Expenditures	<u>57,469</u>	<u>(60,530)</u>	<u>163,949</u>	<u>224,479</u>
OTHER FINANCING (USES)				
Transfers out	(86,032)	(86,033)	(86,033)	-
Total Other Financing (Uses)	<u>(86,032)</u>	<u>(86,033)</u>	<u>(86,033)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (28,563)</u>	<u>\$ (146,563)</u>	<u>77,916</u>	<u>\$ 224,479</u>
Fund Balances at Beginning of Year			<u>2,159,430</u>	
Fund Balances at End of Year			<u>\$ 2,237,346</u>	

TOWN OF BROOKHAVEN
FIRE PROTECTION DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGE AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 616,783	\$ 616,783	\$ 616,783	\$ -
Total Real Property Taxes	<u>616,783</u>	<u>616,783</u>	<u>616,783</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			19	19
Total Other Real Property Tax Items	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on Investments	250	250	1,462	1,212
Total Use of Money and Property	<u>250</u>	<u>250</u>	<u>1,462</u>	<u>1,212</u>
Total Revenues	<u>617,033</u>	<u>617,033</u>	<u>618,264</u>	<u>1,231</u>
EXPENDITURES				
PUBLIC SAFETY				
Fire protection services	620,899	620,899	594,421	26,478
Total Public Safety	<u>620,899</u>	<u>620,899</u>	<u>594,421</u>	<u>26,478</u>
Total Expenditures	<u>620,899</u>	<u>620,899</u>	<u>594,421</u>	<u>26,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,866)</u>	<u>(3,866)</u>	<u>23,843</u>	<u>27,709</u>
OTHER FINANCING (USES)				
Transfers out	(1,134)	(1,134)	(1,134)	-
Total Other Financing (Uses)	<u>(1,134)</u>	<u>(1,134)</u>	<u>(1,134)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>22,709</u>	<u>\$ 27,709</u>
Fund Balances at Beginning of Year			<u>161,161</u>	
Fund Balances at End of Year			<u>\$ 183,870</u>	

TOWN OF BROOKHAVEN
STREET LIGHTING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 4,723,260	\$ 4,723,260	\$ 4,723,260	\$ -
Total Real Property Taxes	4,723,260	4,723,260	4,723,260	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes	70,000	70,000	38,483	(31,517)
Interest and penalties on real property taxes	100	100	146	46
Total Other Real Property Tax Items	70,100	70,100	38,629	(31,471)
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	10,000	10,000	18,576	8,576
Total Use of Money and Property	10,000	10,000	18,576	8,576
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries			13,240	13,240
Total Sale of Property and Compensation for Loss	-	-	13,240	13,240
MISCELLANEOUS LOCAL SOURCES				
Refunds of prior year expenditures			180,358	180,358
Total Miscellaneous Local Sources	-	-	180,358	180,358
FEDERAL AID				
Other	4,876	4,876	4,183	(693)
Total Federal Aid	4,876	4,876	4,183	(693)
Total Revenues	4,808,236	4,808,236	4,978,246	170,010
EXPENDITURES				
Current:				
TRANSPORTATION				
Street lighting	4,660,635	4,837,150	4,749,385	87,765
Total Transportation	4,660,635	4,837,150	4,749,385	87,765
Total Expenditures	4,660,635	4,837,150	4,749,385	87,765
Excess of Revenues Over Expenditures	147,601	(28,914)	228,861	257,775
OTHER FINANCING (USES)				
Transfers in		24,013	24,013	-
Transfers out	(347,601)	(371,614)	(371,614)	-
Total Other Financing (Uses)	(347,601)	(347,601)	(347,601)	-
Net Change in Fund Balance	\$ (200,000)	\$ (376,515)	(118,740)	\$ 257,775
Fund Balance at Beginning of Year			1,401,612	
Fund Balance at End of Year			\$ 1,282,872	

TOWN OF BROOKHAVEN
PARK DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 52,890	\$ 52,890	\$ 52,890	\$ -
Total Real Property Taxes	<u>52,890</u>	<u>52,890</u>	<u>52,890</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			2	2
Total Other Real Property Tax Items	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	320	320	741	421
Total Use of Money and Property	<u>320</u>	<u>320</u>	<u>741</u>	<u>421</u>
Total Revenues	<u>53,210</u>	<u>53,210</u>	<u>53,633</u>	<u>423</u>
EXPENDITURES				
Current:				
CULTURE AND RECREATION				
Parks	53,974	53,974	31,075	22,899
Total Expenditures	<u>53,974</u>	<u>53,974</u>	<u>31,075</u>	<u>22,899</u>
Excess Revenues Over Expenditures	<u>(764)</u>	<u>(764)</u>	<u>22,558</u>	<u>23,322</u>
Net Change In Fund Balance	<u>\$ (764)</u>	<u>\$ (764)</u>	<u>22,558</u>	<u>\$ 23,322</u>
Fund Balances at Beginning of Year			<u>79,665</u>	
Fund Balances at End of Year			<u>\$ 102,223</u>	

TOWN OF BROOKHAVEN
REFUSE AND GARBAGE DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 1,460,601	\$ 1,460,601	\$ 1,460,601	\$ -
Total Real Property Taxes	<u>1,460,601</u>	<u>1,460,601</u>	<u>1,460,601</u>	<u>-</u>
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes			45	45
Total Other Real Property Tax Items	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	1,265	1,265	3,097	1,832
Total Use of Money and Property	<u>1,265</u>	<u>1,265</u>	<u>3,097</u>	<u>1,832</u>
Total Revenues	<u>1,461,866</u>	<u>1,461,866</u>	<u>1,463,743</u>	<u>1,877</u>
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Refuse and garbage	1,461,866	1,461,866	1,450,393	11,473
Total Expenditures	<u>1,461,866</u>	<u>1,461,866</u>	<u>1,450,393</u>	<u>11,473.00</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>13,350</u>	<u>\$ 13,350</u>
Fund Balances at Beginning of Year			<u>115,322</u>	
Fund Balances at End of Year			<u>\$ 128,672</u>	

TOWN OF BROOKHAVEN
SEWER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 679,641	\$ 679,641	\$ 679,641	\$ -
Total Real Property Taxes	679,641	679,641	679,641	-
OTHER REAL PROPERTY TAX ITEMS				
Interest and penalties on real property taxes	10	10	21	11
Total Other Real Property Tax Items	10	10	21	11
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	1,400	1,400	7,831	6,431
Total Use of Money and Property	1,400	1,400	7,831	6,431
Total Revenues	681,051	681,051	687,493	6,442
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Sewage treatment disposal	460,007	559,007	489,707	69,300
Total Expenditures	460,007	559,007	489,707	69,300
Excess of Revenues Over Expenditures	221,044	122,044	197,786	75,742
OTHER FINANCING (USES)				
Transfers out	(321,044)	(321,044)	(283,022)	38,022
Total Other Financing (Uses)	(321,044)	(321,044)	(283,022)	38,022
Net Change in Fund Balance	\$ (100,000)	\$ (199,000)	(85,236)	\$ 113,764
Fund Balance at Beginning of Year			1,141,031	
Fund Balance at End of Year			\$ 1,055,795	

TOWN OF BROOKHAVEN
WATER DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
REAL PROPERTY TAXES				
Ad valorem taxes	\$ 664,485	\$ 664,485	\$ 664,485	\$ -
Total Real Property Taxes	664,485	664,485	664,485	-
OTHER REAL PROPERTY TAX ITEMS				
Payment in lieu of taxes			2,037	2,037
Interest and penalties on real property taxes			20	20
Total Other Real Property Tax Items	-	-	2,057	2,057
DEPARTMENTAL INCOME				
Metered water sales			5,698	5,698
Total Departmental Income	-	-	5,698	5,698
USE OF MONEY AND PROPERTY				
Interest and earnings on investments	750	750	3,664	2,914
Total Use of Money and Property	750	750	3,664	2,914
Total Revenues	665,235	665,235	675,904	10,669
EXPENDITURES				
Current:				
HOME AND COMMUNITY SERVICES				
Water	619,285	619,285	579,259	40,026
Total Expenditures	619,285	619,285	579,259	40,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,950	45,950	96,645	50,695
Net Change in Fund Balances	\$ 45,950	\$ 45,950	96,645	\$ 50,695
WATER DISTRICTS - NO ANNUAL BUDGET				
USE OF MONEY AND PROPERTY				
Interest and earnings on investments			2,156	
Fund Balances at Beginning of Year			586,731	
Fund Balances at End of Year			\$ 685,532	

TOWN OF BROOKHAVEN
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
December 31, 2017

	Town Agency Fund	Town Clerk Agency Fund	Town Receiver of Taxes Agency Fund	Total Agency Funds
ASSETS				
Cash	\$ 17,195,512	\$ 259,219	\$ 120,809,033	\$ 138,263,764
Due from governmental funds	6,200			6,200
Total Assets	<u>\$ 17,201,712</u>	<u>\$ 259,219</u>	<u>\$ 120,809,033</u>	<u>\$ 138,269,964</u>
LIABILITIES				
Due to New York State Comptroller		\$ 30		\$ 30
Due to Treasurer of Suffolk County, New York			\$ 277,853	277,853
Due to the Department of Health of the State of New York		2,925		2,925
Due to the Department of Agriculture and Markets of the State of New York		492		492
Due to school districts			100,459,755	100,459,755
Due to fire districts			7,761,523	7,761,523
Due to governmental funds	\$ 182,605			182,605
Other agency liabilities	17,019,107	255,772	12,309,902	29,584,781
Total Liabilities	<u>\$ 17,201,712</u>	<u>\$ 259,219</u>	<u>\$ 120,809,033</u>	<u>\$ 138,269,964</u>

TOWN OF BROOKHAVEN
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
Year Ended December 31, 2017

	(As Restated) Balance 1/1/2017	Additions	Deductions	Balance 12/31/2017
ASSETS				
Town Agency Funds				
Cash	\$ 12,533,805	\$ 8,512,400	\$ 3,850,693	\$ 17,195,512
Due from governmental funds	21,100	705,397	720,297	6,200
Total Assets - Town Agency Funds	<u>12,554,905</u>	<u>9,217,797</u>	<u>4,570,990</u>	<u>17,201,712</u>
Town Clerk Agency Funds				
Cash	231,946	2,548,779	2,521,506	259,219
Total Assets - Town Clerk Agency Funds	<u>231,946</u>	<u>2,548,779</u>	<u>2,521,506</u>	<u>259,219</u>
Town Receiver of Taxes Agency Funds				
Cash	334,704,546	1,312,444,052	1,526,339,565	120,809,033
Total Assets - Town Receiver of Taxes Agency Funds	<u>334,704,546</u>	<u>1,312,444,052</u>	<u>1,526,339,565</u>	<u>120,809,033</u>
Total Assets	<u>\$ 347,491,397</u>	<u>\$ 1,324,210,628</u>	<u>\$ 1,533,432,061</u>	<u>\$ 138,269,964</u>
LIABILITIES				
Town Agency Funds				
Other agency liabilities	\$ 12,487,934	\$ 9,033,723	\$ 4,502,550	\$ 17,019,107
Due to governmental funds	66,971	184,074	68,440	182,605
Total Liabilities - Town Agency Funds	<u>12,554,905</u>	<u>9,217,797</u>	<u>4,570,990</u>	<u>17,201,712</u>
Town Clerk Agency Funds				
Due to New York State Comptroller	67	2,999	3,036	30
Due to the Department of Health of the State of New York	2,925	50,467	50,467	2,925
Due to the Department of Agriculture and Markets of the State of New York	506	7,441	7,455	492
Other agency liabilities	228,448	2,487,872	2,460,548	255,772
Total Liabilities - Town Clerk Agency Funds	<u>231,946</u>	<u>2,548,779</u>	<u>2,521,506</u>	<u>259,219</u>
Town Receiver of Taxes Agency Funds				
Due to school districts	243,246,997	949,490,710	1,092,277,952	100,459,755
Due to fire districts	19,356,366	77,979,477	89,574,320	7,761,523
Due to Treasurer of Suffolk County, New York	34,139,864	143,877,408	177,739,419	277,853
Other agency liabilities	37,961,319	141,096,457	166,747,874	12,309,902
Total Liabilities - Town Receiver of Taxes Agency Funds	<u>334,704,546</u>	<u>1,312,444,052</u>	<u>1,526,339,565</u>	<u>120,809,033</u>
	<u>\$ 347,491,397</u>	<u>\$ 1,324,210,628</u>	<u>\$ 1,533,432,061</u>	<u>\$ 138,269,964</u>

TOWN OF BROOKHAVEN
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2017

	Town of Brookhaven		Total Non-Major
	Industrial Development Agency	Local Development Corporation	Component Units
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,391,707	\$ 299,106	\$ 2,690,813
Cash - restricted	247,631		247,631
Prepays and other assets	26,980	9,544	36,524
Total Current Assets	<u>2,666,318</u>	<u>308,650</u>	<u>2,974,968</u>
Non-Current Assets:			
Depreciable capital assets, net of accumulated depreciation	18,802		18,802
Total Non-Current Assets	<u>18,802</u>	<u>-</u>	<u>18,802</u>
Total Assets	<u>2,685,120</u>	<u>308,650</u>	<u>2,993,770</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension - employee retirement system	78,753		78,753
Total Deferred Outflows of Resources	<u>78,753</u>	<u>-</u>	<u>78,753</u>
LIABILITIES			
Current Liabilities:			
Accounts payable, including retainage payable	29,680	3,060	32,740
Due to other governments	244,956		244,956
Total Current Liabilities	<u>274,636</u>	<u>3,060</u>	<u>277,696</u>
Noncurrent Liabilities:			
Noncurrent liabilities due in more than one year	100,754		100,754
Total Liabilities	<u>375,390</u>	<u>3,060</u>	<u>378,450</u>
DEFERRED INFLOWS OF RESOURCES			
Pension - employee retirement system	14,965		14,965
Total Deferred Inflows of Resources	<u>14,965</u>	<u>-</u>	<u>14,965</u>
NET POSITION			
Net investment in capital assets	18,802		18,802
Unrestricted	2,354,716	305,590	2,660,306
Total Net Position	<u>\$ 2,373,518</u>	<u>\$ 305,590</u>	<u>\$ 2,679,108</u>

TOWN OF BROOKHAVEN
DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Town of Brookhaven		Total Non-Major
	Industrial Development Agency	Local Development Corporation	Component Units
REVENUES			
Program revenues:			
Charges for services	\$ 1,260,739	\$ 6,000	\$ 1,266,739
Interest and investment earnings	9,781	1,046	10,827
Total Revenues	<u>1,270,520</u>	<u>7,046</u>	<u>1,277,566</u>
EXPENSES			
Economic assistance and opportunity	686,581	23,063	709,644
Total Expenses	<u>686,581</u>	<u>23,063</u>	<u>709,644</u>
Change in Net Position	583,939	(16,017)	567,922
Net Position at Beginning of Year	<u>1,789,579</u>	<u>321,607</u>	<u>2,111,186</u>
Net Position at End of Year	<u>\$ 2,373,518</u>	<u>\$ 305,590</u>	<u>\$ 2,679,108</u>

*

APPENDIX C

FORM OF ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking

FORM OF ANNUAL AND CONTINUING DISCLOSURE UNDERTAKING

The following is a form of the Annual and Continuing Disclosure Undertaking to be executed and provided by the Town at the time of the delivery of the Bonds.

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

“Bonds” means the Issuer’s \$37,411,700 Public Improvement (Serial) Bonds - 2018 Series A and \$21,777,000 Public Improvement (Serial) Bonds – 2018 Series B, dated December 19, 2018.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

“Obligations” means the Bonds.

“SEC” means the United States Securities and Exchange Commission.

“Undertaking” means this Annual and Continuing Disclosure Undertaking.

B. Annual Reports. With respect to the Bonds, the Issuer shall electronically file annually with the MSRB, (1) within six months after the end of each fiscal year ending after the date hereof, financial information and operating data with respect to the Issuer of the general type contained in or cross referenced in the Issuer’s final Official Statement, dated December 3, 2018 under the headings “**THE TOWN**”, “**ECONOMIC AND DEMOGRAPHIC INFORMATION**”, “**INDEBTEDNESS OF THE TOWN**”, “**FINANCES OF THE TOWN**”, “**REAL PROPERTY TAX INFORMATION**”, and “**LITIGATION**”, and in **APPENDICES A AND B**, and (2) if not provided as part such financial information and operating data, audited financial statements of the Issuer, when and if available. If audited financial statements are not available at that time the Town will electronically file unaudited financial statements when available. Any financial statements so to be electronically filed shall be prepared in accordance with the accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and shall be audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

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

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

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax- status of the Obligations, or other material events affecting the tax status of the Obligations;
- (7) Modifications to rights of holders of the Obligations, if material;
- (8) Obligation calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Obligations, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Issuer*;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

* An event of this nature is considered to occur upon the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer shall electronically file with the MSRB, in a timely manner, notice of any failure by the Issuer to provide financial information or operating data in accordance with this Undertaking by the time required by this Undertaking.

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

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

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

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

No default by the Issuer in observing or performing its obligations under this Undertaking shall constitute a breach of or default on the Obligations.

Nothing in this Undertaking is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Undertaking may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Undertaking, as so amended, would have permitted an underwriter to purchase or sell Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of the Obligations consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The Issuer may also repeal or amend the provisions of this Undertaking if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer so amends the provisions of this Undertaking, the Issuer shall include with any amended financial information or operating data next provided in accordance with this Undertaking an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

APPENDIX D

FORM OF OPINIONS OF NORTON ROSE FULBRIGHT US LLP

December 19, 2018

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019-6022
United States

Town of Brookhaven,
County of Suffolk,
State of New York

Tel +1 212 318 3000
Fax +1 212 318 3400
nortonrosefulbright.com

Re: Town of Brookhaven, Suffolk County, New York
\$37,411,700 Public Improvement (Serial) Bonds – 2018 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$37,411,700 Public Improvement (Serial) Bonds – 2018 Series A (the “Obligation”), of the Town of Brookhaven, Suffolk County, New York (the “Obligor”), dated December 19, 2018.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986 (the “Code”), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;
- (3) a tax certificate (the “Tax Certificate”) executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or ordinance applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants

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contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011 of the State of New York, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights.
- (c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law

that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

December 19, 2018

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019-6022
United States

Town of Brookhaven,
County of Suffolk,
State of New York

Tel +1 212 318 3000
Fax +1 212 318 3400
nortonrosefulbright.com

Re: Town of Brookhaven, Suffolk County, New York
\$21,777,000 Public Improvement (Serial) Bonds – 2018 Series B

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$21,777,000 Public Improvement (Serial) Bonds – 2018 Series B (the “Obligation”), of the Town of Brookhaven, Suffolk County, New York (the “Obligor”), dated December 19, 2018.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986 (the “Code”), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;
- (3) a tax certificate (the “Tax Certificate”) executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or ordinance applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants

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contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011 of the State of New York, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights.
- (c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law

that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,