

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2023

NEW ISSUE – SERIAL BONDS

RATING - MOODY'S INVESTORS SERVICE: "....."

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Town will designate the Bonds as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.

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

**\$5,571,075* PUBLIC IMPROVEMENT SERIAL BONDS – 2023
(the "Bonds")**

SEE BOND MATURITY SCHEDULE HEREIN

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

The Bonds maturing on March 15, 2031 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 March 15, 2030. (See "Optional Redemption" under "THE BONDS," herein).

At the option of the purchaser, the Bonds may be either (i) registered to the purchaser or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds.

For bonds registered in the name of the purchaser, a single bond certificate shall be issued for each maturity and principal of and interest on such Bonds will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

Any Bonds issued in book-entry form will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single bond certificate will be issued for each maturity of any book-entry Bonds. Principal of and interest on book-entry Bonds will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "Description of Book-Entry System" under "THE BONDS," herein).

Sealed bids for the Bonds will be received at 11:00 A.M. (Prevailing Time) on March 9, 2023, in accordance with the Notice of Sale dated February 27, 2023.

The Bonds are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Town, and certain other conditions. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC in Jersey City, New Jersey, or as otherwise agreed to by the Town and the Purchaser, on or about March 21, 2023 in New York, New York.

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

*Preliminary, subject to change.

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

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

\$5,571,075* PUBLIC IMPROVEMENT SERIAL BONDS – 2023

BOND MATURITY SCHEDULE

Dated: March 21, 2023

**Principal Due: March 15, 2024-2038, inclusive
Interest Due: March 15, 2024, September 15, 2024 and
semiannually thereafter in each year to maturity**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2024	\$426,075			
2025	440,000			
2026	450,000			
2027	460,000			
2028	470,000			
2029	400,000			
2030	400,000			
2031	400,000**			
2032	400,000**			
2033	400,000**			
2034	265,000**			
2035	265,000**			
2036	265,000**			
2037	265,000**			
2038	265,000**			

*Preliminary, subject to change.

**Subject to prior redemption. (See "Optional Redemption" herein.)



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

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Smithtown, NY 11787
Telephone: 631/360-7530
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TOWN BOARD

Edward R. Wehrheim, Town Supervisor

Lisa M. Inzerillo
Thomas W. Lohmann

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Lynne C. Nowick

Regina Burke, Acting Town Clerk
Deanna Varricchio, Receiver of Taxes
Matthew V. Jakubowski, Esq., Town Attorney
Paul Rubano, MPA, Town Comptroller

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR



Municipal Finance Advisory Service

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Port Jefferson Station, N.Y. 11776
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No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

TABLE OF CONTENTS

	Page
THE BONDS	1
Description of the Bonds	1
Optional Redemption.....	2
Description of Book-Entry System.....	2
Certificated Bonds	3
Authorization and Purpose for the Bonds.....	4
Nature of Obligation.....	4
RISK FACTORS.....	4
REMEDIES UPON DEFAULT	6
MUNICIPAL BANKRUPTCY.....	7
Financial Control Boards.....	8
No Past Due Debt	8
THE TOWN	8
Description.....	8
Utilities and Other Services	9
Governmental Organization.....	9
Employees	10
DEMOGRAPHIC AND STATISTICAL INFORMATION	10
Population Statistics.....	10
Income Data.....	10
Building Permits	11
Selected Listing of Sizeable Employers.....	11
Unemployment Rate Statistics.....	12
INDEBTEDNESS OF THE TOWN	12
Constitutional Requirements.....	12
Statutory Procedure	12
Trend of Town Indebtedness	13
Debt Service Requirements – Outstanding Bonds.....	14
Debt Service Requirements – Outstanding Leases	14
Computation of Debt Limit and Calculation of Net Debt Contracting Margin	15
Calculation of Estimated Overlapping and Underlying Indebtedness	16
Debt Ratios	16
Capital Project Plans.....	17
Authorized but Unissued Debt.....	17
FINANCIAL MATTERS	17
Impacts of COVID-19	17
Financial Statements and Accounting Procedures	17
<i>Fund Structure and Accounts</i>	17
<i>Basis of Accounting</i>	18
Investment Policy	18
Revenues.....	18
<i>Real Property Taxes</i>	18

TABLE OF CONTENTS - CONTINUED

	Page
Tax and Revenue Anticipation Notes	18
State Aid	18
Expenditures	20
Budgetary Procedures	21
The State Comptroller’s Fiscal Stress Monitoring System	21
Pension System.....	21
Contributions to the Retirement Systems	22
Other Post Employment Benefits.....	22
REAL PROPERTY TAX INFORMATION	23
Real Property Taxes.....	23
Tax Levy and Collection Record	24
Tax Collection Procedure	24
Tax Levy Limit Law	24
Tax Rates	25
Selected Listing of Large Taxable Properties	26
Tax Certiorari Claims	26
LITIGATION.....	26
CYBERSECURITY.....	27
IMPACT OF COVID-19.....	27
TAX MATTERS	27
Opinion of Bond Counsel	27
Certain Ongoing Federal Tax Requirements and Certifications	28
Certain Collateral Federal Tax Consequences	28
Original Issue Discount	28
Bond Premium	29
Information Reporting and Backup Withholding	29
Miscellaneous	29
LEGAL MATTERS.....	29
DISCLOSURE UNDERTAKING	29
BOND RATING.....	29
MUNCIPAL ADVISOR	30
ADDITIONAL INFORMATION.....	30
APPENDIX A: FINANCIAL INFORMATION	
APPENDIX B: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021	
APPENDIX C: FORM OF BOND COUNSEL OPINION	
APPENDIX D: FORM OF CONTINUING DISCLOSURE	

OFFICIAL STATEMENT

TOWN OF SMITHTOWN SUFFOLK COUNTY, NEW YORK

\$5,571,075 PUBLIC IMPROVEMENT SERIAL BONDS – 2023

This Official Statement and the appendices hereto present certain information relating to the Town of Smithtown, in the County of Suffolk, in the State of New York (the “Town,” “County” and “State,” respectively) in connection with the sale of \$5,571,075 Public Improvement Serial Bonds – 2023 (the “Bonds”) of the Town.

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

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the Town’s overall economic situation and outlook (and all of the specific Town-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See “RISK FACTORS” and “IMPACTS OF COVID-19” herein.

THE BONDS

Description of the Bonds

The Bonds will be dated March 21, 2023, and will mature on March 15, in each of the years 2024 to 2038, inclusive, in the principal amounts as set forth on the inside cover page hereof.

At the option of the purchaser, the Bonds may be either (i) registered to the purchaser or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York (“DTC”) as book-entry bonds.

For bonds registered in the name of the purchaser, a single bond certificate shall be issued for each maturity and principal of and interest on such Bonds will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

The Bonds issued in book-entry form will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds. Beneficial owners will not receive certificates representing their interest in the Bonds. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. A single bond certificate will be issued for each maturity of any book-entry Bonds. Principal of and interest on book-entry Bonds will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See “*Description of Book-Entry System*” under “*THE BONDS*,” herein).

The Record Date of the Bonds will be the last day (whether or not a business day) of the calendar month immediately preceding each interest payment date.

The Town Clerk will act as Fiscal Agent for the Bonds. Paying agent fees, if any, will be paid by the purchaser. The Town’s contact information is as follows: Paul Rubano, MPA, Town Comptroller, Town of Smithtown, Town Hall Annex 40 Maple Avenue, Smithtown, NY 11787, telephone number (631) 360-7530 and email: prubano@smithtownny.gov.

Optional Redemption

The Bonds maturing on or before March 15, 2030 will not be subject to redemption prior to maturity. The Bonds maturing on March 15, 2031 and thereafter will be subject to redemption prior to maturity, at the option of the Town, 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 March 15, 2030, at par plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed prior to maturity, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town. Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Description of Book-Entry System

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

DTC is 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") and together with Direct Participant, the ("Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 to the Bondowners.

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

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

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

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

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

Certificated Bonds

Principal of and interest on Bonds that are registered in the name of the purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

If the Bonds are issued as book-entry bonds registered in the name of Cede & Co., DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that such book-entry system is discontinued, the following provisions will apply: The Bonds will be issued in registered form in denominations of \$5,000, or integral multiples thereof, except for one necessary odd denomination of the Bonds. Principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company to be named by the Town as the fiscal agent. Certificated Bonds may be transferred or exchanged at no cost to the owner of such Bonds at any time prior to maturity at the corporate trust office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose for the Bonds

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

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Authorized</u> <u>but</u> <u>Unissued</u>	Series A Bonds <u>Amount to</u> <u>be Issued</u>
12/13/22	Landfill Gas Improvements	\$ 340,025	\$ 340,025	\$ 340,025
12/13/22	Long Beach Marina - Phase 1	304,500	304,500	304,500
12/13/22	Long Beach Marina - Phase 2	609,000	609,000	203,000
12/13/22	Drainage Repair - St. James	507,500	507,500	507,500
12/13/22	Highway Heavy Equipment Purchases	812,000	812,000	812,000
12/13/22	Pickelball Courts and Playground Surface Improvements	1,111,425	1,111,425	1,111,425
12/13/22	Parks Equipment	406,000	406,000	406,000
12/13/22	Callahan's Beach Restoration	345,100	345,100	345,100
12/13/22	GPS Preemption Upgrade and Traffic Signal Rebuild	187,775	187,775	187,775
12/13/22	Guiderail Replacement and Pavement Markings	126,875	126,875	126,875
12/13/22	HIP Solar Street Lights	101,500	101,500	101,500
12/13/22	Sign Upgrades	25,375	25,375	25,375
02/08/22	Various Town-Wide Building Improvements	1,100,000	1,100,000	1,100,000
Total:		<u>\$5,977,075</u>	<u>\$5,977,075</u>	<u>\$5,571,075</u>

For further information regarding bond authorizations of the Town for capital purposes and other matters relating thereto see “Indebtedness of the Town”.

Nature of Obligation

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

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

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

RISK FACTORS

The following description summarizes some of the risks associated with an investment in the Bonds and does not purport to be complete. The factors affecting the Town’s financial condition described throughout this Official Statement are complex and are not intended to be summarized in any one section. This Official Statement should be read in its entirety.

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

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

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

The Town is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans expected to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Town can be paid only if the State has such monies available therefor. Should the Town fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Town is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Town will have market access for any such borrowing on a cost effective basis. (See also "*Impact of COVID-19*" and "*State Aid*" herein.)

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

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

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

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Town's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Town's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Town. The Town is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" herein) (See "*Impacts of COVID-19*" herein).

REMEDIES UPON DEFAULT

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

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

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Town, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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

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

jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

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

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

MUNICIPAL BANKRUPTCY

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

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

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

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

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

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

Financial Control Boards

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

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

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

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

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

No Past Due Debt

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

THE TOWN

Description

The Town, which has an estimated population of 116,428 (2020 U.S. Census Bureau), is located in the north central section of Long Island, about 45 miles from New York City, and has a land area of approximately 54 square miles. The Town of Huntington borders on the west, the Town of Brookhaven borders on the east, and the Town of Islip borders on the south. Three incorporated villages are situated within the Town (The Branch, Head of the Harbor and Nissequoque), as well as a number of larger unincorporated communities, including Smithtown, Kings Park, St. James and Nesconset, and sections of both Commack and Hauppauge.

There are several large shopping centers in the Town, including one of Long Island’s largest retail centers, the Smithhaven Mall, which is situated on the Smithtown-Brookhaven border. The Mall is owned by Simon, a global leader in the ownership of premier shopping, dining, and entertainment. The Smithhaven Mall occupies 102 acres (part in each town) and has over 130 stores including Macy’s, Dick’s Sporting Goods, Apple, H&M, and L.L. Bean. There are a number of dining options to choose from, including PF Changs, The Cheesecake Factory and California Pizza Kitchen. The Mall has areas partially enclosed for year-round shopping comfort. Another large shopping complex located in Commack is anchored by a Target Department Store, Home Depot, Wal-Mart and Costco.

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

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

The Hauppauge Innovation Park located within the Town is eleven square miles with 1350 businesses, generating \$13.4 billion in annual revenues. The park employs 55,000 people and accounts for one in every 20 jobs on Long Island. It is the largest park of its kind in the Northeast by number of companies and employees. A new substation was constructed post Superstorm Sandy by PSEG-LI to serve the park and take precautionary measures. There is also a sewer expansion project in the park underway. The sewer upgrade will connect all properties to a new 1.6 million gallon per day treatment plant, which is already built and operational. In 2015, the Town Planning Director worked out a draft amendment to facilitate growth by permitting higher building, parking garages as accessory to certain uses, and outdoor storage. The Town Board approved an overlay district to increase the zoning heights in 2020.

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

Six independently governed school districts (Commack, Hauppauge, Kings Park, Sachem, Smithtown and Three Village) are located wholly or partially within the Town which rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

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

Utilities and Other Services

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

Governmental Organization

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

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

Employees

The Town provides services through approximately 1,200 full-time, part-time and seasonal employees. Some of such employees are represented by organized labor as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No of Members</u>
Civil Service Employees Association	12/31/2022 ^a	396
Smithtown Administrative Guild	12/31/2023	33
Civil Service Employees Association (Part-Time Employees)	12/31/2023	50
Public Safety (Part Time Employees)	12/31/2023	8
Public Safety Part Time - L.I. Public Service Employees (LIPSE)	12/31/2023	42

Source: Town Officials.

a. Expired, currently in negotiations.

DEMOGRAPHIC AND STATISTICAL INFORMATION

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

Population Statistics

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

<u>Year</u>	<u>Town of Smithtown</u>	<u>County of Suffolk</u>	<u>State of New York</u>
1980	116,663	1,284,231	17,557,288
1990	113,406	1,321,864	17,990,455
2000	115,715	1,419,369	18,976,457
2010	117,801	1,493,350	19,378,102
2020	116,428	1,481,364	19,514,849

Source: U.S. Bureau of the Census.

Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020^a</u>
Town of Smithtown	\$21,465	\$31,401	\$43,022	\$56,846
County of Suffolk	18,481	26,577	35,755	46,466
State of New York	16,501	23,389	30,948	40,898
	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020^a</u>
Town of Smithtown	\$60,068	\$80,421	\$104,665	\$129,338
County of Suffolk	53,244	72,112	84,506	105,362
State of New York	39,741	51,691	55,603	71,117

Source: United States Bureau of the Census.

a. Based on American Community Survey 5-Year Estimates (2016-2020).

Building Permits

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

Building Permits Issued - All Types

<u>Year</u>	<u>Number of Permits</u>
2018	1945
2019	1784
2020	1665
2021	1861
2022	3399

Selected Listing of Sizeable Employers

<u>Name</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Smithtown Central School District	Public Schools	2,127 ^b
Developmental Disabilities Institute	Health Care Services	1,900
Contract Pharmacal	Pharmaceutical Prep	1,365
St. Catherine of Siena Hospital	Hospital	1,300 ^a
Scope Educational Services	Education	1,200
Town of Smithtown	Local Government	1,100 ^c
Commack Union Free School District	Public Schools	920 ^e
Bactolac Pharmaceutical	Pharmaceutical Prep	750
Sunrise Senior Living of Smithtown	Health Care Services	700
Teachers Federal Credit Union	Credit Unions	650 ^f
Hauppauge Union Free School District	Public Schools	582 ^d
WellLife Netwrok Inc.	Children, Family, Human Services	550
L-3 Narda Miteq	Electronics	504
MITEQ, Inc.	Electronics	500
ADP	Payroll	500
Hawkeye	Energy	474
Spellman High Voltage	Surgical & Medical Instruments	400
L-3 Narda Satellite Networks	Broadcasting & Wireless Equipment	400

Source: Town Planning Director.

- a. Includes 800 Clinicians and 500 Hourly Employees
- b. Includes Full Time, Part Time and substitute employees
- c. Includes Part Time Employees and Summer Help
- d. District split between Town of Smithtown and Town of Islip
- e. District split between Town of Smithtown and Town of Huntington
- f. Headquartered in Town but includes branch locations outside of Town

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>Town of Smithtown (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2017	3.9	4.5	4.7
2018	3.5	4.0	4.2
2019	3.3	3.7	4.4
2020	7.5	8.4	10.0
2021	4.2	4.9	7.2
2022	2.5	3.1	4.4

Source: Department of Labor, State of New York.

INDEBTEDNESS OF THE TOWN

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; 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 fiscal year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

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

Statutory Procedure

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

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

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

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

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

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

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

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

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

Trend of Town Indebtedness

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

	Fiscal Year Ending December 31:				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt Outstanding End of Year:					
Subject to Debt Limit:					
Bonds	\$21,805,630	\$28,173,823	\$32,915,465	\$36,254,770	\$37,633,831
Not Subject to Debt Limit:					
Bonds	<u>648,750</u>	<u>1,103,438</u>	<u>3,656,625</u>	<u>3,489,900</u>	<u>3,305,914</u>
Total Debt Outstanding	<u><u>\$22,454,380</u></u>	<u><u>\$29,277,261</u></u>	<u><u>\$36,572,090</u></u>	<u><u>\$39,744,670</u></u>	<u><u>\$40,939,745</u></u>

Source: Town Comptroller's Office.

Resource Recovery Facility

Since 1989, the Towns of Smithtown and Huntington have jointly owned and operated a resource recovery facility to address the concerns of solid waste disposal in both towns. The resource recovery facility (the “Facility”) was originally financed by \$176 million of bonds issued by the Environmental Facilities Corporation of the State; such bonds were subsequently refunded by the Suffolk County Industrial Development Agency (the “Suffolk IDA”) in the amount of \$136 million and matured in October of 2012. There is no longer any debt to be paid on the resource recovery facility. Total resource recovery facility charges to run the facility paid for by the Town as of November 2021 were \$6,237,666 for 2021, which includes operating expenses net of electricity revenues generated by the facility and marketed excess capacity fees.

Debt Service Requirements – Outstanding Bonds^a

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$4,109,745	\$953,204	\$5,062,949
2024	4,025,000	850,410	4,875,410
2025	3,955,000	748,565	4,703,565
2026	3,875,000	643,971	4,518,971
2027	3,685,000	540,951	4,225,951
2028	3,550,000	445,637	3,995,637
2029	3,190,000	355,758	3,545,758
2030	2,880,000	282,478	3,162,478
2031	2,460,000	217,333	2,677,333
2032	2,165,000	162,173	2,327,173
2033	1,895,000	112,879	2,007,879
2034	1,775,000	73,355	1,848,355
2035	1,335,000	44,928	1,379,928
2036	855,000	27,578	882,578
2037	500,000	18,300	518,300
2038	260,000	12,375	272,375
2039	265,000	6,275	271,275
2040	160,000	1,600	161,600
Totals	<u>\$40,939,745</u>	<u>\$5,497,767</u>	<u>\$46,437,512</u>

a. Does not reflect payments made to date.

Debt Service Requirements – Outstanding Leases^a

In addition, the Town has entered into various Capital Lease Agreements as shown below:

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$757,420	\$145,635	\$903,055
2024	514,944	71,618	586,562
2025	297,428	45,007	342,435
2026	50,194	10,534	60,728
Totals	<u>\$1,619,986</u>	<u>\$272,794</u>	<u>\$1,892,780</u>

a. Does not reflect payments made to date. Includes leasing of vehicles through Enterprise. See below.

In January 2016, the Town entered into a fleet management master equity lease agreement with Enterprise. Currently, the Town has a fleet of vehicles which were purchased by the Town that have been in service between three and twenty years. The Town's plan is to phase in the leasing of all passenger vehicles and light-duty trucks over the next 5 years and trade-in their current vehicles with an estimated value of approximately \$925,000 while also reducing the fleet to approximately 170 vehicles. This will allow the Town to lease newer vehicles while reducing repair costs. As of December 31, 2020, the Town had 144 vehicles under this lease agreement with monthly lease payment of approximately \$81,000 for a 5-year period with various commencement dates in 2017-2020. At December 31, 2020, the principal amount outstanding was \$2,126,613. The interest rates for these vehicles varies based on the interest rate in effect of the time of acquisition.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of February 27, 2023)

<u>Fiscal Year Ending December 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
2019	\$245,271,571	1.23	\$19,940,778,130
2020	245,723,144	1.16	21,183,029,655
2021	246,791,251	1.15	21,460,108,783
2022	247,493,881	1.12	22,097,667,946
2023	248,220,948	0.98	<u>25,328,668,163</u>
Total Five Year Full Valuation			<u>110,010,252,678</u>
Average Five Year Full Valuation			<u>22,002,050,536</u>
Debt Limit - 7% of Average Full Valuation			<u>\$1,540,143,537</u>
Inclusions:			
Outstanding Bonds:			
General Purposes			35,429,086
Water Districts			<u>3,175,914</u>
Sub-Total			38,605,000
Bond Anticipation Notes			<u>0</u>
Total Inclusions			<u>38,605,000</u>
Exclusions:			
Water Debt (Outstanding Bonds)			3,175,914
Appropriations			<u>1,721,167</u>
Total Exclusions			<u>4,897,081</u>
Total Net Indebtedness Before Issuing the Bonds			<u>\$33,707,919</u>
The Bonds			5,571,075
Less: BANs Being Redeemed by the Bonds			<u>0</u>
Net Effect of Issuing The Bonds			<u>5,571,075</u>
Total Net Indebtedness After Issuing the Bonds			<u>39,278,994</u>
Net Debt Contracting Margin			<u><u>\$1,500,864,543</u></u>
Percent of Debt Limit Exhausted			2.55%

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	08/11/2022	6.99	\$96,529,702	\$84,352,018
Villages:				
Head of the Harbor	02/28/2021	100.00	369,000	369,000
Nissequogue	05/31/2021	100.00	410,179	410,179
The Branch	05/31/2021	100.00	40,000	40,000
School Districts:				
Commack	12/02/2022	57.83	42,586,012	26,679,489
Hauppauge	12/14/2022	56.66	7,887,072	3,943,536
Kings Park	10/25/2022	100.00	38,950,000	38,950,000
Sachem	09/08/2022	3.91	3,119,203	3,119,203
Smithtown	09/13/2022	100.00	11,550,000	11,550,000
Three Village	12/14/2022	1.16	772,386	211,421
Fire Districts:				
Commack	12/31/2021	100.00	0	0
Hauppauge	12/31/2021	100.00	0	0
Kings Park	12/31/2021	100.00	0	0
Nesconset	12/31/2021	100.00	0	0
St. James	12/31/2021	100.00	0	0
Smithtown	12/31/2021	100.00	0	0
Smithtown Library	12/31/2021	100.00	<u>9,120,000</u>	<u>9,120,000</u>
Totals			<u>\$211,333,554</u>	<u>\$178,744,846</u>

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

Debt Ratios (As of February 27, 2023)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$38,605,000	\$332	0.15
Net Direct Debt	33,707,919	290	0.13
Total Direct & Applicable Total Overlapping Debt	249,938,554	2,147	0.99
Net Direct & Applicable Net Overlapping Debt	212,452,765	1,825	0.84

a. The current estimated population of the Town is 116,428 (2020 U.S. Census).

b. The full valuation of taxable real property in the Town for 2022-23 is \$25,328,668,163.

Capital Project Plans

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

Authorized but Unissued Debt

As of the date of this Official Statement, the Town has authorized but unissued debt in the amount of \$6,180,075 for various improvements within the Town. The Bonds will provide original financing for \$5,571,075 of the authorized but unissued amount.

FINANCIAL MATTERS

Impacts of COVID-19

Similar to other municipalities, the Town was impacted by the effects of the COVID-19 pandemic, but recognized the need to take several precautionary measures to reduce expenditure budgets during the 2020 and 2021 fiscal years. Non-Property Tax Revenues such as recreational events and building permit fees were negatively impacted due to the nation-wide shut down. However, the Town implemented spending reductions such as limiting overtime, and a restriction on the hiring of new full-time and seasonal employees. In addition, 2020 mortgage tax revenues exceeded the original budget by over \$2,400,000. As a result, the Town does not expect the COVID-19 pandemic to have an adverse effect on the financial condition of the Town.

For the 2022 and 2023 operating budget, no appropriation of the fund balance was needed in any of the operating funds. The Town will continue to monitor closely the 2023 economic environment and the global COVID-19 pandemic situation, and take the proactive measures as required to ensure the strong financial condition 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 made available for public inspection covers the fiscal year ended December 31, 2021 and is attached as Appendix B. The Town also prepares an Annual Financial Report Update Document (AUD) each year. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

The Statements of Revenues, Expenditures and Changes in Fund Equity presented in Appendix A of this Statement are based on the audited Financial Statements of the Town for the 2016-2020 fiscal years of the Town.

Fund Structure and Accounts

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

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

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

Basis of Accounting

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

Investment Policy

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

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

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

Revenues

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

Real Property Taxes

See "Real Property Taxes", herein.

Tax and Revenue Anticipation Notes

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

State Aid

Based on the audited financial reports of the Town, the Town received approximately 18.30% of its total General Fund operating revenue from State aid in 2021 and budgeted approximately 12.30% for 2022 and 13.18% for 2023. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and has the ability to reduce funding to municipalities and school districts in order to balance its own budget.

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

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. In 2020, due to the outbreak of COVID-19, the State declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of State aid in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "*Impacts of COVID-19*" herein.)

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

On April 25, 2020 the New York State Division of the Budget (the "DOB") announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projected a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. On August 13, 2020, the DOB issued its first quarterly update to the Financial Plan (the "Updated Financial Plan") which noted that the DOB began withholding 20% of most local aid payments in June due to the absence of Federal action. Depending on the size and timing of any new Federal aid, all or a portion of such withheld funds may become permanent reductions. The Updated Financial Plan includes \$8.2 billion in recurring local aid reductions and that, in the absence of unrestricted Federal aid, the DOB will continue to withhold a range of payments through the second quarter of the State's 2021 fiscal year. On October 30, 2020, the DOB issued its midyear update to the Financial Plan (the "Midyear Update") which projects a \$14.9 billion General Fund revenue decline and a 15.3% All Funds tax receipts decline from the State 2020-21 Budget forecast released in February, creating a total loss of nearly \$63 billion through FY 2024 as a direct consequence of the COVID-19 pandemic. In the absence of Federal funding to offset this revenue loss, the Midyear Update shows the State reduced spending through September by \$4.3 billion compared to FY 2020 spending over the same period by freezing hiring, new contracts and pay raises, and temporarily holding back 20% of most payments, including payments to municipalities and school districts.

On October 30, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a \$14.9 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$63 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

The State’s revenue picture improved in the final quarter of fiscal year 2021, with tax collections exceeding expectations. On March 1, 2021 the Executive and Legislature reached consensus that cumulative tax receipts over fiscal year 2021 and fiscal year 2022 would be at least \$2.5 billion higher than estimated in the Executive Budget Financial Plan. Collections through the end of fiscal year 2021 were even more favorable, providing the basis for the substantial upward revision to tax receipts. The State finished fiscal year 2021 in a stronger overall position in comparison to the Executive Budget Financial Plan. Results reflected both strong tax receipts and disbursements that fell substantially below budgeted levels.

On March 11, 2021 the Federal American Rescue Plan Act (ARPA) was enacted. The ARPA is a \$1.9 trillion economic stimulus bill intended to contain the COVID-19 pandemic and accelerate the nation’s economic recovery. The ARPA provides the State with \$12.6 billion in general aid (“recovery aid”), as well as \$17.2 billion in categorical aid for schools, universities, childcare, housing and other purposes. (See “*Impact of COVID-19*”, herein). The enacted 2021-22 State budget provides for an increase in All Funds spending of 9.7% over 2020-21, relying on a combination of the new federal funding and revenue-raising initiatives to avoid cuts and support additional investments.

The 2023 enacted budget continues the support of the pandemic recovery with over \$2 billion in one-time investments, including: \$800 million for the Emergency Rental Assistance Program (ERAP), \$800 million for hospitals, \$250 million in utility arrear assistance, \$125 million in homeowner and landlord assistance and \$25 million in other one-time, non-recurring investments.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

The availability of State aid and the timeliness of payment of State aid to municipalities and school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

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

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of State aid for each of the fiscal years 2017 through 2021 and the budgeted amount for fiscal years 2022 and 2023. The budget amount for General Fund Revenue includes appropriated fund balance.

Fiscal Year Ended <u>December 31:</u>	General Fund <u>Total Revenue</u>	<u>State Aid</u>	State Aid to <u>Revenues (%)</u>
2017	\$46,444,730	\$5,866,464	12.63
2018	46,383,022	6,556,086	14.13
2019	47,919,670	5,846,239	12.20
2020	49,905,903	8,693,020	17.42
2021	55,511,186	10,160,468	18.30
2022 (Budgeted)	52,734,633	6,484,687	12.30
2023 (Budgeted)	55,812,924	7,352,128	13.18

Source: Audited financial statements (2017-2021), and the adopted budgets for 2022-2023. The budgeted revenues include appropriation of fund balance.

Expenditures

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

Budgetary Procedures

The Town Supervisor, with the assistance of the Town Comptroller prepares a tentative budget each year and submits the tentative budget to the Town Board via the Town Clerk for possible amendments. The Town Board then holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Town Board, no later than November 20 in each year, as its final budget for the coming fiscal year. The budget is not subject to referendum.

The State Comptroller's Fiscal Stress Monitoring System

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

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

The most current applicable report of the State Comptroller designates the Town as "No Designation". (Fiscal Score: 3.3%, Environmental Score: 15.0%).

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 was released on June 4, 2021. The purpose of the audit was to provide an independent evaluation of the Town's adopted budget for the 2021 Fiscal year.

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.

Pension System

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

As a result of significant capital market declines in the past, in certain years the State’s Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State’s Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years. The Town has decided not to amortize any payments to the Retirement System.

Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	<u>Amount</u>
2018	\$4,774,422
2019	4,761,401
2020	5,064,768
2021	5,647,420
2022	4,549,429
2023 (Budgeted)	4,971,433

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. 75 (“GASB 75”) described below requires such accounting.

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended December 31, 2018, the Town adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. 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 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 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending December 31, 2021:</u>
Total OPEB liability as of December 31, 2020:	\$273,890,847
Changes for the year:	
Service Cost	5,936,355
Interest	5,544,959
Change in Actuarial Cost Method	
Differences between actual and expected experience	
Changes in Assumptions and Other Inputs	(1,664,549)
Benefit payments	(6,810,098)
Total Changes	<u>\$3,006,667</u>
Total OPEB liability as of December 31, 2021:	<u><u>\$276,897,514</u></u>

Source: Actuarial Valuation Report (GASB 75).

The OSC has proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The Town cannot predict at this time whether such proposed legislation will be enacted into law. 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 has decided to continue funding the expenditure on a pay-as-you-go basis.

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.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Town derives a significant portion of its annual revenue from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B, herein.) Property taxes accounted for approximately 55.93% of total budgeted General Fund revenues, for the fiscal year ended 2022. On June 24, 2011, the Tax Levy Limitation Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. (See “*Tax Levy Limit Law*” herein).

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, and, as budgeted, for the years ending December 31, 2022 for 2023.

<u>Fiscal Year Ended December 31:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2017	\$46,444,730	\$24,600,992	52.97
2018	46,383,022	24,366,593	52.53
2019	47,919,670	25,280,351	52.76
2020	49,905,903	26,979,833	54.06
2021	55,511,186	28,109,968	50.64
2022 (Budgeted)	52,734,633	29,495,493	55.93
2023 (Budgeted)	55,794,528	31,331,595	56.16

Source: Audited financial statements (2017-2021), and the adopted budgets for 2022 and 2023. The budgeted revenues include appropriation of fund balance.

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

Tax Levy and Collection Record^a

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Town and Highway	\$54,399,756	\$56,097,549	\$56,848,611	\$58,382,786	\$59,620,771
Special Districts:					
Library	14,633,688	15,028,128	15,178,409	15,481,977	15,816,499
Lighting	1,607,150	1,817,683	1,877,859	2,013,705	2,071,215
Refuse Disposal Direct					
Benefit Assessments	15,694,618	16,521,389	18,447,264	19,173,299	20,218,684
Fire	18,557,949	19,134,612	19,355,161	20,199,121	20,886,580
Water ^b	405,265	465,701	642,679	584,255	602,585
Ambulance	1,011,223	1,011,223	1,021,545	1,021,545	1,021,545
County	75,475,056	81,718,998	75,497,480	76,264,431	73,649,122
School Districts	370,584,092	386,800,635	395,202,957	404,306,692	412,918,074
Special & Omitted Assessments	189,997	138,570	1,929	281,260	58,295
Out of Town Tuition	1,454,678	1,246,916	1,278,110	1,204,085	1,229,478
Total Tax Levy	<u>\$554,013,472</u>	<u>\$579,981,404</u>	<u>\$585,352,004</u>	<u>\$598,913,156</u>	<u>\$608,092,848</u>
Amount Collected	\$536,043,551	\$547,593,702	\$568,602,285	\$580,697,844	\$311,955,450
Uncollected Amount	17,969,921	32,387,702	16,749,720	18,215,312	296,137,398
Percentage	3.24%	5.58%	2.86%	3.04%	48.70%

a. See "Tax Collection Procedure" herein.

b. Includes Water Arrears.

Source: Receiver of Taxes of the Town.

Tax Collection Procedure

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

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

Tax Levy Limit Law

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

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

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

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

The 2015 through 2023 Budgets did not exceed the tax levy limitation.

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

	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Tax Levy:					
General Town	\$102.44	\$109.38	\$113.47	\$118.66	\$125.74
Highway	22.45	22.61	21.80	21.84	21.17
Town Outside Villages:					
General	22.74	22.22	22.68	23.35	21.73
Highway	80.49	80.84	79.02	78.50	77.92
County-General and District Court	18.14	17.66	19.55	19.58	13.94
County-Police	287.20	291.66	285.43	283.53	281.24
Library Special District	58.07	59.64	60.20	61.33	62.62

Selected Listing of Large Taxable Properties
2021 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
NYS-OPRHP ^b	Parkland	\$5,133,461
Smithtown Galleria Association	Apartments	1,792,117
LIPA	Utility	1,684,653
LIPA	Utility	1,367,652
Commack Marketing	Retail Service	1,364,338
Arlona LTD Partnership	Shopping Center	1,363,218
State of New York	Parkland	1,285,775
LIPA	Utility	1,176,901
LIPA	Utility	1,162,035
Mall at Smith Haven, LLC.	Shopping Center	1,157,683
State of New York	Parkland	1,109,438
State of New York	Parkland	869,502
Teacher's Federal Credit Union	Banking	861,598
KeySpan Gas East Corp	Utility	844,436
LIPA	Utility	841,265
Groton Owners, LLC	Apartments	832,402
CommackSHP Ctr Association Fee	Commercial	807,082
Long Island Lighting Co.	Utility	796,685
LIPA	Utility	791,444
Cosentino Realty Commack/PJ	Commercial	<u>764,882</u>
	Total ^c	<u>\$26,006,567</u>

a. Assessment Roll established in 2021 for levy and collection of taxes during 2022 Fiscal Year.

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

c. Represents approximately 10.48% of the total taxable assessed valuation of the Town for 2021.

Tax Certiorari Claims

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

LITIGATION

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

CYBERSECURITY

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Town's financial condition and operating results. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Town's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The Town is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

The Town is expected to receive approximately \$11.3 million in direct aid through the ARPA which was signed into law on March 11, 2021. The exact amount allocated will not be known until it is distributed to the Town. The Town received \$5,694,290.58 in 2021 and is expected to receive the remaining 50% in 2022. According to the ARPA, the Town must obligate the funds by December 31, 2024 and expend them by December 31, 2026. It is the intent of the Town, to the extent allowable under the ARPA, to use these funds for expenditures incurred as well as lost revenue related to COVID-19. The intended use of the remaining funds is still under discussion, but investment in the Town's infrastructure is under consideration (pending further guidance under the ARPA).

Although the ARPA provides for funds to be paid to the State, it is not possible to predict whether any future federal legislation will contain reduction in other federal aid to the State. Any reduction in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules. The Town will continue to monitor closely the 2022 economic environment and the global COVID-19 pandemic situation, and take the proactive measures as required to ensure the strong financial condition of the Town.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds, and Bond Counsel has assumed compliance by the Town with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds. Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a “Tax-Exempt Discount Bond”), OID that has accrued and is properly allocable to the owners of the Tax-Exempt Discount Bond under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

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

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

Bond Premium

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

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

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

BOND RATING

The District has applied to Moody’s Investors Service (“Moody’s”), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761 for rating on the Bonds. Such application is pending at this time. This rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Paul Rubano, MPA, Town Comptroller, Town of Smithtown, Town Hall Annex 40 Maple Avenue, Smithtown, NY 11787, telephone number (631) 360-7530 and email: prubano@smithtownny.gov. 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 assumes no liability or responsibility for any errors or omissions, unauthorized editing, or for any updates to dated website information.

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

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

TOWN OF SMITHTOWN, NEW YORK

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

March , 2023

APPENDIX A

FINANCIAL INFORMATION

Balance Sheets
Governmental Funds
Fiscal Year Ending December 31, 2021

	General <u>Townwide</u>	Major <u>Highway</u>	Refuse and <u>Garbage</u>	Capital <u>Projects</u>	Nonmajor Governmental <u>Funds⁽¹⁾</u>
Assets:					
Cash and Cash Equivalents	\$ 39,309,704	\$ 5,603,771	\$ 4,556,474	\$ 11,045,689	\$ 7,590,219
Restricted Cash	3,611,865				315,664
Accounts Receivable	1,578,974	83,024	54,205	10,556	1,388,637
Due from Other Funds	843,192	4,916,386	3,037,069	587,916	4,554,108
Due from Other Governments	3,022,925	35,809	105,632	551,453	155,744
Prepays & Inventory of Materials & Supplies	<u>1,362,562</u>	<u>1,363,880</u>	<u>169,147</u>	<u> </u>	<u>367,289</u>
Total Assets	<u>\$ 49,729,222</u>	<u>\$ 12,002,870</u>	<u>\$ 7,922,527</u>	<u>\$ 12,195,614</u>	<u>\$ 14,371,661</u>
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 2,909,707	\$ 660,980	\$ 2,247,126	\$ 3,157,404	\$ 744,944
Due to Other Funds	13,041,193		4,285	716,888	176,305
Unearned Revenue	9,458,543	4,688,933	2,994,607	70,498	4,450,490
Other Liabilities	<u>542,562</u>	<u>641,897</u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 25,952,005</u>	<u>\$ 5,991,810</u>	<u>\$ 5,246,018</u>	<u>\$ 3,944,790</u>	<u>\$ 5,371,739</u>
Deferred Inflows of Resources:					
Deferred Revenue	<u>\$ 810,350</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>
Total Deferred Inflows of Resources	<u>810,350</u>	<u>0</u>	<u> </u>	<u>0</u>	<u>0</u>
Fund Balances:					
Nonspendable	\$ 1,362,562	\$ 1,363,880	\$ 169,147	\$	\$ 675,369
Restricted	4,192,457	132,461	2,507,362	4,738,748	3,821,506
Assigned	332,231	4,514,719		3,512,076	4,503,047
Unassigned	<u>17,079,617</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>\$ 22,966,867</u>	<u>\$ 6,011,060</u>	<u>\$ 2,676,509</u>	<u>\$ 8,250,824</u>	<u>\$ 8,999,922</u>
Total Liabilities, Deferred Inflows and Fund Balances (Deficits)	<u>\$ 49,729,222</u>	<u>\$ 12,002,870</u>	<u>\$ 7,922,527</u>	<u>\$ 12,195,614</u>	<u>\$ 14,371,661</u>

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

Source: Audited Annual Financial Report (2021)

NOTE: This schedule NOT audited.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Real Property Taxes	\$ 24,600,992	\$ 24,366,593	\$ 25,280,351	\$ 26,979,833	\$ 28,109,968
Real Property Tax Items	577,617	701,054	663,488	633,516	808,545
Non Property Tax Items	2,851,546	2,820,596	2,804,631	2,707,939	2,719,698
Departmental Income	10,347,064	9,909,733	10,654,366	9,080,857	10,405,146
Intergovernmental Charges	615,942	541,800	628,036	641,973	518,388
Use of Money & Property	324,956	514,286	819,471	509,597	563,984
Licenses and Permits	128,118	151,773	130,214	91,826	128,573
Fines and Forfeitures	285,042	230,052	445,252	183,889	238,229
Sale of Property & Compensation for Loss	221,036	213,469	163,279	272,798	453,870
Interfund Revenues		1,349	54,127		1,630
State Aid	5,866,464	6,556,086	5,846,239	8,693,020	10,160,468
Federal Aid	453,579	330,373	385,400	92,820	1,211,712
Miscellaneous Local Sources	172,374	45,858	44,816	17,835	190,978
Total Revenues	<u>46,444,730</u>	<u>46,383,022</u>	<u>47,919,670</u>	<u>49,905,903</u>	<u>55,511,189</u>
Expenditures:					
General Government Support	12,674,802	13,336,507	13,830,243	13,735,249	15,171,708
Public Safety	3,604,520	3,355,491	3,498,045	3,191,726	3,781,074
Health	869,792	878,136	933,500	894,833	789,175
Transportation	965,030	1,076,611	1,145,073	1,213,237	1,100,696
Econ. Assistance & Opportunity	640	110	220		110
Culture & Recreation	6,762,535	7,364,438	7,648,464	7,047,118	8,152,819
Home & Community Service	5,102,645	5,176,210	5,442,442	5,024,996	5,413,794
Employee Benefits	11,387,999	11,853,724	12,516,081	11,562,430	12,654,517
Debt Service	1,962,171	1,907,145	2,349,769	2,733,067	3,185,051
Total Expenditures	<u>43,330,134</u>	<u>44,948,372</u>	<u>47,363,837</u>	<u>45,402,656</u>	<u>50,248,944</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,114,596</u>	<u>1,434,650</u>	<u>555,833</u>	<u>4,503,247</u>	<u>5,262,245</u>
Other Sources (Uses)					
Operating Transfers In	308,357	74,159	69,316	36,952	542,495
Operating Transfers Out	(2,368,297)	(442,378)	(868,947)	(6,116,280)	(3,114,539)
Premium on Debt Issuance	13,312	50,650	277,862	158,191	36,750
Total Other Sources (Uses)	<u>(2,046,628)</u>	<u>(317,569)</u>	<u>(521,769)</u>	<u>(5,921,137)</u>	<u>(2,535,294)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,067,968	1,117,081	34,064	(1,417,890)	2,726,951
Fund Balance Beginning of Year	<u>19,438,692</u>	<u>20,506,660</u>	<u>21,623,741</u>	<u>21,657,805</u>	<u>20,239,916</u>
Fund Balance End of Year	<u>\$ 20,506,660</u>	<u>\$ 21,623,741</u>	<u>\$ 21,657,805</u>	<u>\$ 20,239,916</u>	<u>\$ 22,966,867</u>

Sources: Audited Financial Statements (2017-2021)
NOTE: This schedule NOT audited.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Real Property Taxes	\$ 23,010,345	\$ 23,090,235	\$ 23,923,575	\$ 24,042,306	\$ 23,534,612
Real Property Tax Items	346,294	365,621	365,039	412,878	401,554
Intergovernmental Charges	13,951	108,303	35,220	93,754	202,164
Use of Money & Property	48,205	128,395	219,268	57,647	12,043
Licenses and Permits	83,825	114,491	192,733	278,805	204,471
Sale of Property & Compensation for Loss	10,027	152,557	185,125	3,756	267,140
Interfund Revenue	1,202,235	1,558,754	2,082,297	2,302,154	2,250,587
State Aid	1,417,603	1,483,270	1,170,532	1,621,965	1,902,196
Miscellaneous Local Sources			553	12,307	
Total Revenues	<u>26,132,485</u>	<u>27,001,626</u>	<u>28,174,342</u>	<u>28,825,572</u>	<u>28,774,767</u>
Expenditures:					
Transportation	14,717,346	15,961,910	14,610,299	16,057,213	15,124,118
Employee Benefits	6,899,455	7,475,802	7,857,589	7,108,427	7,497,155
Debt Service	940,247	1,059,536	868,805	1,233,146	1,409,861
Total Expenditures	<u>22,557,048</u>	<u>24,497,248</u>	<u>23,336,693</u>	<u>24,398,786</u>	<u>24,031,134</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,575,437</u>	<u>2,504,378</u>	<u>4,837,649</u>	<u>4,426,786</u>	<u>4,743,633</u>
Other Sources (Uses)					
Operating Transfers In	1,083,451	1,665,694	476,965	1,000	
Operating Transfers Out	(6,395,000)	(4,599,502)	(4,395,000)	(4,395,000)	(4,395,000)
Premium on Debt Issuance	9,109	10,852	87,189	22,897	22,376
Assigned: Total Other Sources (Uses)	<u>(5,302,440)</u>	<u>(2,922,956)</u>	<u>(3,830,846)</u>	<u>(4,371,103)</u>	<u>(4,372,624)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,727,003)</u>	<u>(418,578)</u>	<u>1,006,803</u>	<u>55,683</u>	<u>371,009</u>
Fund Balance Beginning of Year	<u>6,723,146</u>	<u>4,996,143</u>	<u>4,577,565</u>	<u>5,584,368</u>	<u>5,640,051</u>
Fund Balance End of Year	<u>\$ 4,996,143</u>	<u>\$ 4,577,565</u>	<u>\$ 5,584,368</u>	<u>\$ 5,640,051</u>	<u>\$ 6,011,060</u>

Sources: Audited Financial Statements (2017-2021)

NOTE: This schedule NOT audited.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Departmental Income	\$ 12,775,542	\$ 12,775,553	\$ 15,019,498	\$ 15,839,202	\$ 17,682,899
Intergovernmental Charges	480,008	691,928	1,091,240	669,242	671,322
Use of Money & Property	32,392	77,457	119,973	39,781	12,415
Fines and Forfeitures		61,667	38,333	26,500	
Sale of Properties and Comp. for Loss	224,917	223,207	484,105	233,926	455,114
Interfund Revenues	621	13,999	3,943		
State Aid	102,850	56,887	90,572	227,579	55,035
Miscellaneous				7,204	19,075
Total Revenues	<u>13,616,330</u>	<u>13,900,698</u>	<u>16,847,664</u>	<u>17,043,434</u>	<u>18,895,860</u>
Expenditures:					
Home & Community Service	11,923,704	14,584,484	15,028,183	15,280,420	16,314,135
Employee Benefits	1,320,949	1,684,388	1,808,655	1,717,830	1,822,880
Debt Service	176,711	260,332	270,403	348,333	359,113
Total Expenditures	<u>13,421,364</u>	<u>16,529,204</u>	<u>17,107,241</u>	<u>17,346,583</u>	<u>18,496,128</u>
Excess (Deficiency) of Revenues over Expenditures	<u>194,966</u>	<u>(2,628,506)</u>	<u>(259,577)</u>	<u>(303,149)</u>	<u>399,732</u>
Other Financing Uses:					
Operating Transfers (Out) In	15,632	493,269	29,929	(115,275)	
Premium on Debt Issuance	6,388	2,963	34,876	6,439	
Total Other Financing Sources (Uses)	<u>22,020</u>	<u>496,232</u>	<u>64,805</u>	<u>(108,836)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures					
Other Sources Over (Under) Expenditures and Other Uses	216,986	(2,132,274)	(194,772)	(411,985)	399,732
Fund Balance Beginning of Year	<u>4,798,822</u>	<u>5,015,808</u>	<u>2,883,534</u>	<u>2,688,762</u>	<u>2,276,777</u>
Fund Balance End of Year	<u>\$ 5,015,808</u>	<u>\$ 2,883,534</u>	<u>\$ 2,688,762</u>	<u>\$ 2,276,777</u>	<u>\$ 2,676,509</u>

Sources: Audited Financial Statements (2017-2021)

NOTE: This schedule NOT audited

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Sale of Property and Compensation for	\$	\$	\$	\$ 4,000	\$ 25,000
State Aid	558,235	507,794	186,920	930,821	86,625
Federal Aid	288,257		453,181	168,899	93,361
Miscellaneous Local Sources	109,056	238,720	696,671	468,048	638,951
Total Revenues	<u>955,548</u>	<u>746,514</u>	<u>1,336,772</u>	<u>1,571,768</u>	<u>843,937</u>
Expenditures:					
Capital Outlay	11,999,435	11,122,333	14,564,427	25,098,265	16,019,771
Debt Service					
Total Expenditures	<u>11,999,435</u>	<u>11,122,333</u>	<u>14,564,427</u>	<u>25,098,265</u>	<u>16,019,771</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,043,887)</u>	<u>(10,375,819)</u>	<u>(13,227,655)</u>	<u>(23,526,497)</u>	<u>(15,175,834)</u>
Other Sources (Uses)					
Operating Transfers In	8,033,704	5,178,764	5,594,536	11,010,980	7,611,949
Operating Transfers Out	(635,773)	(2,274,642)	(137,909)	(43,600)	(1,587,684)
Debt Proceeds	4,086,390	3,544,380	9,192,260	10,037,090	6,844,670
Capital Lease Proceeds	1,911,747	1,304,141	1,334,199	546,151	1,067,215
Total Other Sources (Uses)	<u>13,396,068</u>	<u>7,752,643</u>	<u>15,983,086</u>	<u>21,550,621</u>	<u>13,936,150</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,352,181	(2,623,176)	2,755,431	(1,975,876)	(1,239,684)
Fund Balance Beginning of Year	<u>8,981,948</u>	<u>11,334,129</u>	<u>8,710,953</u>	<u>11,466,384</u>	<u>9,490,508</u>
Fund Balance End of Year	<u>\$ 11,334,129</u>	<u>\$ 8,710,953</u>	<u>\$ 11,466,384</u>	<u>\$ 9,490,508</u>	<u>\$ 8,250,824</u>

Sources: Audited Financial Statements (2017-2021)

NOTE: This schedule NOT audited.

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021^a</u>
Revenues:					
Real Property Taxes	\$ 7,886,662	\$ 8,041,171	\$ 7,830,203	\$ 7,989,112	\$ 8,345,909
Real Property Tax Items	170,276	184,835	170,449	194,283	198,121
Departmental Income	6,482,934	6,023,528	6,544,197	6,639,052	7,863,647
Intergovernmental Charges	64,210	135,695	50,509	20,499	8,714
Use of Money & Property	39,360	119,802	201,343	55,167	10,392
Licenses and Permits	1,675,056	1,920,518	2,088,955	1,948,827	2,290,380
Sale of Property & Compensation for Loss	238,414	185,067	40,444	987	113,680
Interfund Revenues	6,783	7,165	10,325	1,631	
State Aid	297,422	306,676	320,524	315,838	276,660
Federal Aid	952,243	118,240	198,180	171,205	130,906
Miscellaneous	757,477	779,997	1,106,118	1,074,517	5,411
Total Revenues	<u>18,570,837</u>	<u>17,822,694</u>	<u>18,561,247</u>	<u>18,411,118</u>	<u>19,243,820</u>
Expenditures:					
General Government Support	304,554	197,185	270,706	236,091	273,729
Public Safety	3,152,081	3,274,467	3,240,498	3,305,576	3,234,561
Health	1,051,540	2,075,709	2,067,876	2,040,097	2,124,518
Transportation	1,999,559	1,053,506	1,090,593	1,146,158	1,236,934
Culture and Recreation	413,448	428,667	429,390	370,165	482,708
Home & Community Service	6,163,083	5,350,762	5,620,226	5,862,918	6,637,284
Employee Benefits	5,145,746	4,785,329	3,838,491	5,746,491	3,420,362
Debt Service	624,216	631,030	648,346	711,143	958,183
Total Expenditures	<u>18,854,227</u>	<u>17,796,655</u>	<u>17,206,126</u>	<u>19,418,639</u>	<u>18,368,279</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(283,390)</u>	<u>26,039</u>	<u>1,355,121</u>	<u>(1,007,521)</u>	<u>875,541</u>
Other Sources (Uses)					
Proceeds from Serial Bonds					2,405,000
Payments to Escrow for Refunding					(2,817,214)
Premiums on Debt Issuance					
Operating Transfers In	57,926	139,899	11,699	642	1,145,189
Operating Transfers Out	(100,000)	(235,263)	(780,589)	(379,419)	(202,410)
Premium on Debt Issuance	1,626	4,437	38,750	95,503	278,639
Total Other Sources (Uses)	<u>(40,448)</u>	<u>(90,927)</u>	<u>(730,140)</u>	<u>(283,274)</u>	<u>809,204</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(323,838)</u>	<u>(64,888)</u>	<u>624,981</u>	<u>(1,290,795)</u>	<u>1,684,745</u>
Fund Balance Beginning of Year	<u>8,369,717</u>	<u>8,045,879</u>	<u>7,980,991</u>	<u>8,605,972</u>	<u>7,315,177</u>
Fund Balance End of Year	<u>\$ 8,045,879</u>	<u>\$ 7,980,991</u>	<u>\$ 8,605,972</u>	<u>\$ 7,315,177</u>	<u>\$ 8,999,922</u>

Includes General Town Outside Village, Community Development, Risk Retention, Lighting and Ambulance
Beginning in Fiscal Year Ending December 31, 2012, the Nonmajor Governmental Funds also
include the Water Districts, the Paul J. Fitzpatrick Country Club, and the Permanent Fund.

a. In the 2021 fiscal year the Town has eliminated the Risk Retention Fund.

Sources: Audited Financial Statements (2017-2021)

NOTE: This schedule NOT audited.

2023 ADOPTED BUDGET - FUND SUMMARIES

	<u>Appropriation</u>	Less: <u>Estimated Revenue</u>	Less: <u>State Aid</u>	Less: <u>Appropriated Fund Balance</u>	Less: <u>Application of Reserves</u>	Amount of <u>Tax Levy</u>
General Fund - Town Wide	\$ 55,812,924	\$ 16,876,003	\$ 7,352,128	\$	\$ 253,198	\$ 31,331,595
General Fund - Part Town	8,924,405	3,588,237	285,000		31,396	5,019,772
Community Development Fund	200,651	200,651				
Commack Ambulance District	1,784,242	1,085,758				698,484
Hauppauge Ambulance District	390,032	66,971				323,061
Highway Fund III - Machinery	4,744,004	471,169	236,368		35,983	4,000,484
Highway Fund I - Repairs & Impvts	23,213,302	3,946,670	1,190,000		84,464	17,992,168
Highway Fund IV - Snow & Misc	1,293,252	16,500				1,276,752
Street Lighting District	1,290,401	20,733			284	1,269,384
Arterial Highway District	813,605	11,774				801,831
Sol Waste/Res Coll/ Disp Impvt	20,758,543	20,622,305	35,000		101,238	
Paul J. Fitzpatrick Country Club	555,515	541,446			14,069	
Smithtown Water District	3,781,956	3,781,956				
St. James Water District	2,557,276	2,336,241			146,817	74,218
1987 Water Supply District	10,500	0		10,500		
1989 Water Supply District	5,500	0		5,500		
	<u>\$ 126,136,108</u>	<u>\$ 53,566,414</u>	<u>\$ 9,098,496</u>	<u>\$ 16,000</u>	<u>\$ 667,449</u>	<u>\$ 62,787,749</u>

Source: 2023 Adopted budget of the Town

2022 ADOPTED BUDGET - FUND SUMMARIES

	<u>Appropriation</u>	Less: <u>Estimated Revenue</u>	Less: <u>State Aid</u>	Less: <u>Appropriated Fund Balance</u>	Less: <u>Application of Reserves</u>	Amount of <u>Tax Levy</u>
General Fund - Town Wide	\$ 52,734,633	\$ 16,390,512	\$ 6,484,687	\$	\$ 363,941	\$ 29,495,493
General Fund - Part Town	8,477,288	2,796,521	285,000		18,649	5,377,118
Community Development Fund	209,500	209,500				
Commack Ambulance District	1,784,242	1,085,758				698,484
Hauppauge Ambulance District	390,032	66,971				323,061
Highway Fund III - Machinery	4,881,351	413,809	236,369		35,250	4,250,414
Highway Fund I - Repairs & Impvts	22,255,299	2,961,786	1,190,000		24,225	18,079,288
Highway Fund IV - Snow & Misc	1,184,473	4,000				1,180,473
Street Lighting District	1,244,333	22,733				1,221,600
Arterial Highway District	805,879	13,774				792,105
Sol Waste/Res Coll/ Disp Impvt	19,372,269	19,180,460	50,000		141,809	
Paul J. Fitzpatrick Country Club	442,430	437,446			4,984	
Smithtown Water District	3,707,277	3,707,277				
St. James Water District	2,440,458	2,213,984			150,000	76,474
1987 Water Supply District	10,500	0				10,500
1989 Water Supply District	5,500	0				5,500
	<u>\$ 119,945,464</u>	<u>\$ 49,504,531</u>	<u>\$ 8,246,056</u>	<u>\$ 0</u>	<u>\$ 738,858</u>	<u>\$ 61,510,510</u>

Source: 2022 Adopted Budget of the Town

TOWN OF SMITHTOWN

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

[▶ Click Here For 2021 Audit](#)

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

APPENDIX C

FORM OF BOND COUNSEL OPINION

Hawkins Delafield & Wood LLP
7 World Trade Center – 250 Greenwich Street
New York, New York 10007

_____, 2023

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Smithtown (the “Town”), in the County of Suffolk, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$5,571,075 Public Improvement Serial Bonds-2023 (the “Bonds”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the

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

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

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

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

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in said Bonds.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

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

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

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

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

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

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of March 9, 2023.

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

“Securities” shall mean the Issuer’s **\$5,571,075 Public Improvement Serial Bonds-2023**, dated March 21, 2023, maturing in various principal amounts on March 15 in each of the years 2024 to 2038, inclusive, and delivered on the date hereof.

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

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2022, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2022, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to

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

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

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

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

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

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of March 21, 2023.

TOWN OF SMITHTOWN

By _____
Supervisor and Chief Fiscal Officer