

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 30, 2023

NEW ISSUE – SERIAL BONDS
BOND ANTICIPATION NOTES

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 and the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds and the Notes 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 and the Notes 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 and the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Town will NOT designate the Bonds or the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.

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

\$9,130,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2023
(the "Bonds")

BOND MATURITY SCHEDULE
(See Inside Front Cover)

Prior Redemption: The Bonds maturing on September 15, 2030 and thereafter are subject to redemption, at the option of the Town, prior to maturity, in any order of maturity and in any amount within a maturity, on any date on or after September 15, 2029 in accordance with the terms described herein. See "Optional Redemption" under "THE BONDS," herein.

\$5,795,000 BOND ANTICIPATION NOTES – 2023
(the "Notes")

Dated Date: September 20, 2023

Maturity Date: September 20, 2024

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

The Bonds and the Notes are general obligations of the Town of Southold, 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 and the Notes 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).

At the option of the purchaser, the Bonds and the Notes may be either (i) registered in the name of 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 and notes 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 and Notes 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).

The Bonds and the Notes 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 and the Notes. Beneficial owners will not receive certificates representing their respective interests in the Bonds and the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of any book-entry Bonds and Notes. Principal of and interest on book-entry Bonds and Notes 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 and the Notes 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" herein).

Sealed bids for the Bonds and the Notes will be received at 11:00 A.M. (Prevailing Time) on September 12, 2023, in accordance with the Notice of Sale dated August 30, 2023.

The Bonds and the Notes are offered subject to the final approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Town, and certain other respective conditions. It is expected that delivery of the Bonds and the Notes in book-entry form will be made through the facilities of DTC in New York, New York, or as otherwise agreed to by the Town and the Purchaser(s), on or about September 20, 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 AND THE NOTES, 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 without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

TOWN OF SOUTHOLD
SUFFOLK COUNTY, NEW YORK

\$9,130,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2023

BOND MATURITY SCHEDULE

Dated: September 20, 2023

Principal Due: September 15, 2024-2042, inclusive
Interest Due: Semiannually on each March 15 and
September 15 in each year to maturity
commencing March 15, 2024

<u>Year</u>	<u>Amount**</u>	<u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>CUSIP #</u>
2024	\$345,000			
2025	355,000			
2026	365,000			
2027	380,000			
2028	390,000			
2029	405,000			
2030	420,000***			
2031	435,000***			
2032	455,000***			
2033	470,000***			
2034	490,000***			
2035	505,000***			
2036	525,000***			
2037	545,000***			
2038	565,000***			
2039	585,000***			
2040	610,000***			
2041	630,000***			
2042	655,000***			

*Preliminary, subject to change.

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

***Subject to prior redemption



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

Town Hall
PO Box 1179
Southold, NY 11971
Telephone: (631) 765-4333
Fax: (631) 765-1366

TOWN BOARD

Scott A. Russell, Supervisor

Gregory Doroski
Jill M. Doherty
Louisa P. Evans
Brian Mealy
Sarah E. Nappa

Kristie Hansen-Hightower, CPA, Town Comptroller
Denis Noncarrow, Town Clerk
Daniel Goodwin, Superintendent of Highways
Paul DeChance, Esq. Town Attorney
Kelly Fogarty, Receiver of Taxes

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR



Municipal Finance Advisory Service

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

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

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

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OFFICIAL STATEMENT

TOWN OF SOUTHOLD SUFFOLK COUNTY, NEW YORK

\$9,130,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2023 **and** **\$5,795,000 BOND ANTICIPATION NOTES - 2023**

This Official Statement and appendices thereto presents certain information relating to the Town of Southold, in the State of New York (the "Town" and "State," respectively) in connection with the sale of \$9,130,000* Public Improvement Serial Bonds - 2023 (the "Bonds") and \$5,795,000 Bond Anticipation Notes - 2023 (the "Notes").

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 Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on September 15, in each of the years 2024 to 2042, inclusive, as set forth on the inside cover page. Interest on the Bonds will be payable semi-annually on March 15 and September 15 in each year to maturity, commencing March 15, 2024.

At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. For those Bonds registered in the name of Cede & Co., individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. For Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Bonds purchased (See "*DESCRIPTION OF BOOK-ENTRY SYSTEM*," herein).

The Record Date of the Bonds will be the last day of the calendar month 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: Kristie Hansen-Hightower, CPA, Comptroller, Town of Southold, 54375 Route 25, Southold, New York 11971, telephone number 631/765-4333 and email: kristieh@southoldtownny.gov.

Optional Redemption

The Bonds maturing on or before September 15, 2029 will not be subject to redemption prior to maturity. The Bonds maturing on September 15, 2030 and thereafter, will be subject to redemption, at the option of the Town, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after September 15, 2029, at par plus accrued interest to the date of redemption.

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

*Preliminary, subject to change.

THE NOTES

Description of the Notes

The Notes will be dated September 20, 2023 and will mature, without right of redemption prior to maturity, on September 20, 2024, with interest payable at maturity.

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

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their respective interests in the Notes. Individual purchases of such book-entry Notes may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes 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 for subsequent distribution to the beneficial owners of the Notes as described herein. See "DESCRIPTION OF BOOK-ENTRY SYSTEM" herein.

The Town Clerk will act as Fiscal Agent for the Notes. The Town's contact information is as follows: Kristie Hansen-Hightower, CPA, Comptroller, Town of Southold, 54375 Route 25, Southold, New York 11971, telephone number 631/765-4333 and email: kristieh@southoldtownny.gov.

Optional Redemption

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

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Authorization and Purpose for the Bonds and the Notes

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

<u>Date Authorized</u>	<u>Project Description</u>	<u>Amount Outstanding</u>	<u>Amount to be paid</u>	<u>New Money</u>	<u>Amount to Bonds</u>	<u>Amount to BANs</u>
08/16/11	Stormwater Mitigation Improvements	\$ 225,000	\$ (5,000)	\$ -	\$220,000	\$ -
06/12/17	Installation of Ferry Pilings	315,000	(20,000)	-	295,000	-
10/10/17	Acquisition of Munnatawket Engine	270,000	(5,000)	-	265,000	-
03/14/18	1080 Carroll Ave Acquisition	655,000	(15,000)	-	640,000	-
03/14/18	Town Hall Annex- Acquisition	2,910,000	(70,000)	-	2,840,000	-
03/14/18	Town Hall Annex- Improvements	910,000	(75,000)	500,000	835,000	500,000
03/27/18	Sidewalks and Drainage Improvements	310,000	(50,000)	-	260,000	-
07/17/18	Increase/Improvement of SWMD	288,117	(25,117)	-	263,000	-
08/28/18	Sidewalk Improvements	380,000	(60,000)	-	320,000	-
09/25/18	Acquisition of Munnatawket Engine	135,000	(5,000)	-	130,000	-
12/18/18	Acquisition of Computer Equipment	18,000	(8,000)	-	-	10,000
12/18/18	Town Hall HVAC Improvements	160,000	(20,000)	-	140,000	-
03/26/19	Passenger Ferry Purchase	440,000	(10,000)	-	430,000	-
06/04/19	Street Lighting Replacement	95,000	(45,000)	-	-	50,000
07/02/19	Increase/Improvement of SWMD	331,437	(25,437)	-	306,000	-
02/11/20	Fishers Island Sidewalk Improvements	225,000	(25,000)	-	200,000	-
02/11/20	Acquisition of Highway Equipment	125,605	(10,605)	-	115,000	-
02/11/20	Stormwater Mitigation	245,000	(5,000)	-	240,000	-
08/11/20	Race Point Ferry Improvements	1,250,000	(800,000)	-	-	450,000
02/11/20	Sidewalk Improvements	500,000	(50,000)	-	450,000	-
02/11/20	Software Updates	200,000	(50,000)	-	-	150,000
05/18/21	Computer Hardware and Software	250,000	(75,000)	-	-	175,000
02/11/20	Fishers Island Highway Barn	150,000	-	-	-	150,000
10/05/21	Acquisition of Vacuum Truck	431,841	(841)	-	431,000	-
03/29/22	Comprehensive Master Plan	200,000	-	-	-	200,000
06/07/22	Gull Pond Bulkhead Improvements	160,000	-	-	-	160,000
06/07/22	Sidewalk Improvements	250,000	-	-	250,000	-
06/07/22	Stormwater Mitigation	500,000	-	-	500,000	-
06/21/22	Plans & Specs for PD/Court Building	1,000,000	(1,000,000)	-	-	-
07/19/22	Fishers Island Seawall Improvements	850,000	-	-	-	850,000
12/18/18	Town Hall Basement Improvements	-	-	100,000	-	100,000
02/28/23	Land Acquisition	-	-	1,400,000	-	1,400,000
07/05/23	Stormwater Control	-	-	250,000	-	250,000
07/05/23	Sidewalk Improvements	-	-	250,000	-	250,000
07/05/23	Land Acquisition - 12500 Main Rd.	-	-	1,100,000	-	1,100,000
		<u>\$ 13,780,000</u>	<u>\$(2,455,000)</u>	<u>\$3,600,000</u>	<u>\$9,130,000</u>	<u>\$5,795,000</u>

DESCRIPTION OF BOOK-ENTRY SYSTEM

DTC will act as securities depository for any Bonds or Notes issued in book-entry form. Any book-entry Bonds or Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be 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 and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes 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 and the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

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

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

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

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

Principal and interest payments on book-entry Bonds and the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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.

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 AND THE NOTES; (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 AND THE NOTES; 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 and the Notes

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

Nature of Obligation

Each Bond and Note when duly issued and paid for will constitute a contract between the Town and the holders thereof. The Bonds and Notes 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 Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefor. However, Chapter 97 of the 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 the Notes 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 and the Notes, 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 and the Notes.

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

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

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town, without providing an 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 and the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the 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 and the Notes.

REMEDIES UPON DEFAULT

Neither the Bonds and the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds and the Notes should the Town default in the payment of principal of or interest on the Bonds or the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds or the Notes upon the occurrence of any such default. Each Bond and Note 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 or the Notes, 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 or Notes 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 and Note, the owner of such Bond and Note 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 and the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds and the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds and the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the 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 and the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds and the Notes, 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 and the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a 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 and the Notes 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

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

General Information

The Town, with a land area of 54.5 square miles, is located in eastern Suffolk County on the north fork of Long Island. Settlement took place in 1640. The Village of Greenport is located wholly within the Town. The Town also includes the area of Fishers Island which is located approximately twelve miles east of the mainland. Fishers Island is accessible only by water or air. There is also ferry service operating between Orient Point and New London, Connecticut.

The Town is primarily a rural resort area with substantial shopping facilities available at Greenport, at various shopping centers within the Town, and at Riverhead just to the west. Commercial and professional services are available principally in the hamlets of Cutchogue, Mattituck, Southold and the Village of Greenport.

Agriculture has been a major industry in the Town since its origins. In recent years, farm crops have gradually evolved from basic production to nursery crops including shrubs, sod, potted plants and other ornamentals. A substantial portion of these products are shipped by ferry across Long Island Sound for distribution throughout New England. A number of vineyards have been established and wine-making is an important industry.

Southold has both a hospital (Eastern Long Island Hospital) and a life care facility (Peconic Landing). The life care facility recently completed a \$44 million expansion to its 144-acre site located on the Long Island Sound. Both are significant employers in the Town.

Southold is also a major tourist destination. Traditionally, the Town has been a summer resort area utilizing the bays, inlets, Long Island and Block Island Sounds. However, new venues and attractions have substantially increased the tourism season early in the spring well into the fall.

The main highways in the Town are New York State Route 25 and the North Road. Rail transportation is provided by the Long Island Rail Road with stations at Mattituck, Southold and Greenport. Ferry service is also available between Orient Point, east of Greenport, and New London, Connecticut as well as from Greenport to Shelter Island. Bus service is provided by the County of Suffolk.

Electric service is provided by PSEG Long Island; gas service is provided by National Grid. Fire protection is the responsibility of volunteer fire and fire protection districts. The Town provides its own police protection. In the Village of Greenport, electric service and fire protection are provided by the Village.

Government

Subject to the provisions of the State Constitution, the Town operates pursuant to the Town Law, the General Municipal Law, the Local Finance Law, other laws generally applicable to the Town, and any special laws specifically 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 which do not conflict with existing laws as enacted by the State.

The legislative power of the Town is vested in the Town Board, which consists of five members, elected for a term of four years, including the Supervisor, who is the chief executive officer of the Town, elected for a term of four years. Such terms are staggered such that two or three councilpersons 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.

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

Employees

The Town provides services through approximately 204 union and 51 non-union employees. The Town also employed 55 seasonal employees during 2021.

The following table presents the number of employees represented by organized labor, the names of the unions and the contract expiration dates.

	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association	151	12/31/2026
Police Benevolent Association	53	12/31/2024

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

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

<u>Year</u>	<u>Town of Southold</u>	<u>Suffolk County</u>	<u>State of New York</u>
2000	20,599	1,419,369	18,976,457
2010	23,175	1,518,475	19,378,102
2020	22,177	1,481,364	19,514,849
2021	23,571	1,522,998	20,114,745

Source: U.S. Bureau of the Census.

Income Data

	<u>Per Capita Money Income</u>			
	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2021</u>
Town of Southold	\$27,619	\$41,450	\$56,282	\$60,908
County of Suffolk	26,577	35,411	46,466	49,404
State of New York	23,389	30,791	40,898	43,208

	<u>Median Income of Families</u>			
	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2021</u>
Town of Southold	\$49,898	\$83,240	\$100,639	\$106,982
County of Suffolk	65,288	84,235	123,117	130,575
State of New York	51,691	67,405	87,270	92,731

Source: United State Bureau of the Census.

a. Based on American Community Survey 5-Year Estimates (2017-2021).

Unemployment Rate Statistics

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

<u>Annual Averages</u>	<u>Suffolk County</u>	<u>New York State</u>
2018	3.9	4.1
2019	3.7	4.0
2020	8.5	10.0
2021	4.9	7.2
2022	3.1	4.4
2023 (6 Month Average)	3.0	4.2

Source: Department of Labor, State of New York

Selected Listing of Larger Employers in the Town

<u>Name</u>	<u>Type</u>	<u>Estimated Number Of Employees</u>
Eastern Long Island Hospital	Hospital	468
Plum Island ADC	US Govt Facility	350
Mattituck- Cutchogue UFSD	Public School	380
Town of Southold	Local Govt	273
Peconic Landing	Life Care Community	314
Southold UFSD	Public School	171
San Simeon by the Sound	Nursing Home	220
Greenport UFSD	Public School	120
Village of Greenport	Local Govt	118 (mostly part time)
Claudios	Restaurant	30 Year-Round/120 Summer
Stidd Systems	Marine	40

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 and the Notes:

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 and note 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 and note 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 and note resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond and note 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 and the Notes.

Each bond and note resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds and notes subject to the legal (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 and notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such bonds and notes 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 aggregate outstanding 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).

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Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of August 30, 2023)

<u>In Town of Southold</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
2018-2019	\$109,654,291	0.94	\$11,665,350,106
2019-2020	110,766,975	0.93	11,910,427,419
2020-2021	111,478,920	0.88	12,668,059,091
2021-2022	111,024,468	0.88	12,616,416,818
2022-2023	112,466,274	0.70	<u>16,066,610,571</u>
Total Five Year Full Valuation			\$64,926,864,006
Five Year Average			12,985,372,801
Debt Limit - 7% of Full Valuation			908,976,096
Inclusions:			
Outstanding Bonds			\$17,395,000
Bond Anticipation Notes			<u>13,780,000</u>
Total Inclusions			<u>31,175,000</u>
Exclusions:			
Appropriations for Bonds			0
Appropriations for Notes			<u>2,455,000</u>
Total Exclusions			<u>2,455,000</u>
Total Net Indebtedness Before Issuing the Bonds and Notes			<u>28,720,000</u>
The Bonds			9,130,000
The Notes			5,795,000
Less: BANs Being Redeemed			<u>11,325,000</u>
Net Effect of the Bonds and Notes			<u>3,600,000</u>
Total Net Indebtedness After Issuing the Bonds and Notes			<u>32,320,000</u>
Net Debt Contracting Margin			<u><u>\$876,656,096</u></u>
Per Cent of Debt Contracting Margin Exhausted			3.56%

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:					
Bonds	\$29,925,000	\$27,255,000	\$24,745,000	\$22,170,000	\$19,830,000
Bond Anticipation Notes	8,180,000	9,279,117	10,461,722	10,937,722	13,780,000
	<u>\$ 38,105,000</u>	<u>\$ 36,534,117</u>	<u>\$ 35,206,722</u>	<u>\$ 33,107,722</u>	<u>\$ 33,610,000</u>

Details of Short-Term Indebtedness Outstanding

Bond Anticipation Notes

<u>Maturity</u>	<u>Purposes</u>	<u>Amount Outstanding</u>
09/21/23	Various Town-Wide and District Improvements.....	\$ 13,780,000
	Total.....	<u>\$13,780,000^a</u>

a. To be redeemed by the Bonds and Notes and available funds in the amount of \$2,455,000.

Debt Service Requirements - Outstanding Bonds ^a

<u>Fiscal Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,435,000	\$ 556,313	\$2,991,313
2024	2,465,000	457,913	2,922,913
2025	2,510,000	356,388	2,866,388
2026	2,290,000	274,388	2,564,388
2027	2,275,000	212,788	2,487,788
2028	2,305,000	156,588	2,461,588
2029	2,305,000	104,316	2,409,316
2030	2,305,000	50,169	2,355,169
2031	235,000	20,269	255,269
2032	235,000	15,569	250,569
2033	235,000	10,575	245,575
2034	235,000	5,288	240,288
Totals	<u>\$19,830,000</u>	<u>\$2,220,559</u>	<u>\$22,050,559</u>

a. Includes \$14,191,763 in bonds issued for the preservation of open space. See "Community Preservation Fund" herein.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	8/11/2022	3.69%	\$50,957,739	\$44,529,177
Village of Greenport	5/16/2023	100.00%	6,918,200	5,675,000
School Districts				
Fishers Island	6/30/2021	100.00%	0	0
Greenport	5/26/2023	100.00%	13,620,000	12,258,000
Mattituck-Cutchogue	12/14/2022	98.49%	8,662,196	7,969,220
New Suffolk Common	6/30/2021	100.00%	295,000	295,000
Oysterponds	6/30/2021	100.00%	0	0
Southold	11/7/2022	100.00%	5,615,000	5,615,000
Fire District				
Cutchogue	12/31/2021	100.00%	259,364	259,364
East Marion	12/31/2021	100.00%	0	0
Fishers Island	12/31/2021	100.00%	0	0
Mattituck	12/31/2021	100.00%	0	0
Orient	12/31/2021	100.00%	0	0
Southold	6/8/2023	100.00%	1,200,000	1,200,000
			\$87,527,499	\$77,800,761
Totals			\$87,527,499	\$77,800,761

Sources: Annual Financial Reports on file with the Office of the State Comptroller, or more recently published Official Statements.

Debt Ratios (As of August 30, 2023)

	<u>Amount</u>	<u>Per Capita</u> ^a	<u>Percentage Of Full Value (%)</u> ^b
Total Direct Debt	\$ 31,465,000	\$1,335	0.196%
Net Direct Debt	31,175,000	\$1,323	0.194
Total Direct & Applicable Total Overlapping Debt	118,992,499	\$5,048	0.741
Net Direct & Applicable Net Overlapping Debt	108,975,761	\$4,623	0.678

a. The current estimated population of the Town is 23,571 (U.S. Census).

b. The full valuation of taxable real property in the Town for 2022-23 is \$16,066,610,571.

Authorized But Unissued Debt

As of the date of this Official Statement, the following bond resolutions are authorized but unissued:

<u>Reso Date</u>	<u>Project Description</u>	<u>Amount Authorized</u>	<u>Authorized but Unissued</u>
11/01/16	Public Safety Communications Equip	\$ 150,000	\$ 150,000
01/31/17	Upgrade Town Hall Telephone System	32,900	6,900
01/31/17	Firewall	127,100	13,100
05/09/17	Shade Shelter/Solar Array at Animal Shelter	630,000	260,000
06/12/17	Ferry Pilings	600,000	220,000
03/14/18	Town Hall Annex- Improvements	2,800,000	1,700,000
12/18/18	Computer Equipment	97,500	49,500
12/18/18	Town Hall Basement	250,000	250,000
12/18/18	Town Hall HVAC	250,000	50,000
07/02/19	Increase/Improvement of SWMD (Grinder)	850,000	50,000
02/11/20	Fishers Island Highway Barn	150,000	150,000
02/11/20	Sidewalk Bonds	500,000	300,000
05/18/21	Computer Hardware and Software	250,500	500
05/18/21	Town Boat Ramp	200,000	200,000
10/05/21	Vacuum Truck	450,000	450,000
03/29/22	Comprehensive Master Plan	200,000	200,000
06/07/22	Gull Pond Bulkheads	160,000	160,000
06/07/22	Sidewalk Improvements	250,000	250,000
06/07/22	Stormwater Mitigation	500,000	500,000
06/21/22	Plans & Specs for PD/Court Building	1,000,000	1,000,000
07/19/22	Fishers Island Seawall	850,000	850,000
02/28/23	Land Acquisition	1,400,000	1,400,000
07/18/23	Land Acquisition	1,100,000	1,100,000
		\$12,798,000	\$9,310,000

a. The Notes will finance \$3,600,000 of such authorized but unissued amounts.

Community Preservation Fund

In 1998, the voters of the five East End towns (East Hampton, Riverhead, Shelter Island, Southampton, and Southold) approved a referendum creating the Community Preservation Fund, which is a conservation program to preserve open space and farmland in the five towns. Each town has its own fund which is financed by a 2% tax on real estate sales within such town. This is a one-time tax that the buyer of real estate is required to pay when purchasing a new or used home or vacant property. In 2006, the voters in all five towns approved a referendum to extend the collection of the tax through 2030.

The Town of Southold's ("the Towns CPF Fund" or "The Fund") Fund facilitates a voluntary program whereby landowners can sell their land or the development rights to the land to the Town at fair market value. The Town may issue general obligation bonds for purchases with the expectation that the debt service will be paid through the life of the Town's CPF Fund with the 2% tax revenues. When the Town finances an acquisition through the issuance of bonds, Section 64e of Town Law requires the preparation of a report by or on behalf of the Town Supervisor which demonstrates how such indebtedness will be repaid by the Fund, including an estimate of projected revenues of the Fund during the period of indebtedness, an accounting of all other indebtedness incurred against the Fund to be repaid for the same period, and a finding that there will be sufficient revenue to repay such indebtedness in its entirety from the Fund. In any event, the bonds issued by any of the towns are general obligation bonds of such town.

On November 8, 2022, the voters of the Town approved a referendum to amend the local law and establish a Community Housing Fund. The public purpose of this local law is to implement the authority given to the Town to establish a dedicated fund to provide needed housing opportunities as authorized by Chapter 445 of the Laws of 2021 to amend the Town Law and the Tax Law, in relation to authorizing towns in the Peconic Bay region to establish community housing funds to be funded by a supplemental real estate transfer tax.

Said fund will be financed by a 0.5% supplemental real estate transfer tax, which is in addition to the existing 2% real estate transfer tax for the Community Preservation Fund.

In addition, pursuant to Chapter 445 of the Laws of 2021, this local law also amends the exemption amounts per real estate transfer from the entire Town real estate transfer tax from \$250,000 to \$400,000. This exemption only applies to real estate transfers of \$2 million or less. This ensures that the real estate transfer tax burden will be reduced for property transfers with a consideration under \$1,000,000.

The purchase price limit for the exemption for first time homebuyers in the Town also increased from 120% to 150% of the purchase price limit as defined by the State of New York Mortgage Agency.

The following represents the annual revenues of the Town’s CPF Fund for the five most recently completed fiscal years and the current budget. Such amounts do not include other revenues received for grants and interest income.

Fiscal Year Ending <u>December 31:</u>	<u>Total Revenues</u>
2018	\$ 8,097,019
2019	7,666,589
2020	10,828,223
2021	14,116,704
2022	13,577,599
2023 (Budget)	10,000,000

As of the date of this Official Statement, there are \$14,191,763 in Town bonds outstanding, the debt service on which is expected to be paid by the Fund, although such debt is a general obligation of the Town. The following represents the annual debt service requirements on the outstanding Town bonds originally issued for the purposes of preserving open space; it does not reflect payments made to date in the current fiscal year.

Debt Service Requirements – Community Preservation Fund Only ^a

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,661,516	\$ 411,572	\$ 2,073,088
2024	1,730,189	340,081	2,070,270
2025	1,767,250	265,442	2,032,691
2026	1,779,211	202,921	1,982,132
2027	1,789,325	153,175	1,942,500
2028	1,816,683	107,742	1,924,425
2029	1,821,662	65,865	1,887,526
2030	1,825,929	22,249	1,848,177
Totals	<u>\$14,191,763</u>	<u>\$1,569,046</u>	<u>\$15,760,809</u>

a. Does not reflect 2023 payments made to date in the current fiscal year.

The Town has enacted a debt service policy that is reviewed annually and approved by the Town Board. The Town Board has determined that an appropriate amount of fund balance should be maintained in the Fund in order to meet the Town’s obligation to repay the bonded indebtedness. As such, the Town has set aside the current and ensuing year’s debt service to ensure that there is adequate coverage in the Fund.

Landfill Closure and Postclosure Care Costs

The Town owns a landfill on a site in the unincorporated area of Cutchogue, commonly known as the Cutchogue Landfill. The Town ceased accepting waste at its Cutchogue Landfill as of October 8, 1993. Placement of the final cover, referred to as capping, on the landfill was completed in November 2003. In addition to placement of the final cover on the landfill, state and federal regulations presently require the Town to perform certain maintenance and monitoring functions at the site for up to thirty years. The Town has complied and will continue to comply with said requirements. The Town paid \$5,803 for such costs in 2022 and will continue to pay these costs in the future.

Actual costs associated with the capping totaled \$7,681,720. Financing for closure activities was provided in part through a grant from the New York State Department of Environmental Conservation in the amount of \$2,000,000. The balance was provided through a State subsidized loan received in July, 2004 from the New York State Environmental Facilities Corporation. Costs associated with postclosure care will be paid from charges to future users of the collection facility and site and future tax revenue.

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2021. 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. A summary of the financial results of the Town for the last five years are presented in Appendix A. The Unaudited Annual Report Update Document ("AUD") for fiscal year ending 2022 is attached as Appendix B.

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 special regulations, restrictions or limitations.

There are two basic fund types: governmental funds that are used to account for basic services and capital projects; and 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 presently maintains the following governmental funds: General Fund, Part Town Fund, Community Preservation Fund and Special Districts Funds, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

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

Expenditures are generally recognized under the modified accrual basis of accounting in which recognition occurs when the related fund liability is incurred. An exception to this general rule is unmatured interest on general long-term debt which is recognized when due.

Investment Policy

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

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

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

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

Budgetary Procedures

The head of each administrative unit of the Town is required to file detailed estimates of revenues (other than real property taxes) and expenditures for the next fiscal year with the budget officer (Supervisor) on or before August 1st. Estimates for each fire district situated within the Town must also be filed with the budget officer by this date. After reviewing these estimates, the budget officer prepares a tentative budget which includes his recommendations. A budget message explaining the main features of the budget is also prepared at this time. The tentative budget is filed with the Town Clerk not later than the 30th of September. Subsequently, the Town Clerk presents the tentative budget to the Town Board at the regular or special hearing which must be held on or before October 5th. The Town Board reviews the tentative budget and makes such changes as it deems necessary and that are not inconsistent with the provisions of the law. Following this review process, the tentative budget and such modifications, if any, as approved by the Board, become the preliminary budget. A public hearing, notice of which must be duly published in the Town's official newspaper, on the preliminary budget is generally required to be held on the Thursday immediately following the general election. At such hearing, any person may express his or her opinion concerning the preliminary budget; however, there is no requirement or provision that the preliminary budget or any portion thereof be voted on by members of the public. After the public hearing, the Town Board may further change and revise the preliminary budget. The Town Board, by resolution, adopts the preliminary budget as submitted or amended no later than November 20th, at which time, the preliminary budget becomes the annual budget of the Town for the ensuing fiscal year. Budgetary control during the year is the responsibility of the Supervisor who is assisted in this area by the Town Comptroller. Any changes or modifications to the annual budget, including the transfer of appropriations among line items, must be approved by resolution of the Town Board. However, the comptroller is authorized to transfer certain budgeted amounts within departments.

Budget Summaries for the 2022 and 2023 fiscal years may be found in Appendix A.

Financial Operations

The Supervisor functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities. In addition, the Supervisor is also the Town's budget officer and must therefore prepare the annual tentative budget for submission to the Town Board. Pursuant to Section 30 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

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

Town finances are operated primarily through the General and Special Revenue Funds. The General Fund receives most of its revenue from real property tax and State aid. Current operating expenditures are paid from these funds subject to available appropriations. The Town also has refuse, sewer and wastewater districts, which are accounted for within separate funds. The primary sources of income for these districts comes from special assessments levied against district properties at the same time real estate taxes are levied. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar year (January 1 through December 31) for operating and reporting purposes.

Revenues

The Town receives most of its revenues from a real property tax on all taxable property situated within the Town and from State Aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A. See also "Tax Levy Limit Law" herein.

Real Property Taxes

See "Real Property Tax Information", herein.

State Aid

The Town receives financial assistance from the State. Based on the unaudited annual financial report update document for the 2022 fiscal year, approximately 8.07% of the total general fund revenues of the Town is estimated to be received in the form of State aid.

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 negatively impacted 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 may 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 "*IMPACT OF COVID-19*" herein.)

In 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 projected a \$14.9 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projected 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 had announced that in the absence of Federal funding to offset this revenue loss, the State had 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. According to the State, the budget deploys the first \$5.5 billion of the \$12.6 billion provided for under ARPA. The Town received approximately \$2.1 million in direct aid through ARPA. See also "Impacts of COVID-19" herein.

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.

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 comprised of State aid and Federal aid for each of the fiscal years 2018 through 2022.

<u>Year Ended</u> <u>December 31:</u>	<u>Total General Fund</u> <u>Revenue</u>	<u>State Aid</u>	<u>State and Federal Aid</u> <u>To Revenues (%)</u>
2018	\$31,471,663	\$1,304,499	4.14%
2019	33,269,486	1,645,297	4.95
2020	33,431,616	1,883,953	5.64
2021	36,480,640	2,904,219	7.96
2022 (Unaudited)	37,162,027	2,998,310	8.07

Expenditures

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

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 and each municipality’s annual report filed with the State Comptroller each school district’s ST-3 report filed with the State Education Department annually. 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: 0.0; Environmental Score: 3.3).

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

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released in January, 2015. The purpose of such audit was to review selected financial operations of the Town for the period January 1, 2013 to December 31, 2013. 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 Systems

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or the State and Local Police and Fire Retirement System ("PFRS"), which together are known as the "Retirement System". The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and before January 1, 2010 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, then Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS employees hired on or after January 1, 2010. New ERS employees in Tier 5 contribute 3% of their salaries. Tier 5 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

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

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

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

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

The Town does not have outstanding amortization payments to the Retirement System.

The Town is required to contribute an actuarially determined rate. The required contributions for the five most recently completed fiscal years and the budgeted amounts for the current fiscal year are as follows:

Contributions to the Retirement Systems

<u>Fiscal Year</u> <u>Ending Dec 31:</u>	<u>Amount of</u> <u>Contribution</u>
2018	3,455,924
2019	3,463,122
2020	3,649,749
2021	4,065,942
2022	3,656,624
2023 (Budgeted)	4,235,000

Other Post Employment Benefits

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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 45, 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.

For the fiscal year ended December 31, 2018, the Town implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The Town’s total OPEB liability at December 31, 2022 is as follows:

Total OPEB Liability at Dec 31, 2021	\$114,012,230
Charges for the Year:	
Service Cost	3,872,439
Interest Cost	2,428,716
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions	1,660,354
Benefit Payments	(2,772,766)
Net Changes	5,188,743
Total OPEB Liability at Dec 31, 2022	\$119,200,973

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

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Town derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix A, herein.) Property taxes accounted for approximately 80.85% of total general fund revenues, for the fiscal year ended 2021. On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. 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 2018 through 2022, and, as budgeted, for the year ending December 31, 2023.

Fiscal Year Ending Dec 31:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2018	31,471,663	26,156,931	83.11%
2019	33,269,486	27,661,824	83.14%
2020	33,431,616	27,804,178	83.17%
2021	36,480,640	29,494,458	80.85%
2022 (Unaudited)	37,162,027	29,943,980	80.58%
2023 (Budgeted)	39,167,577	30,403,199	77.62%

Source: Audited financial statements (2018-2021), Unaudited Annual Financial Report (2022) and the adopted budget for the fiscal year ending December 31, 2023.

The following table presents the total tax levy and collection performance for each of the last five fiscal years.

Tax Levy and Collection Record

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Tax Levy	135,858,461	139,954,508	142,135,912	145,680,755	149,310,813
Amount Collected	134,167,673	136,343,859	139,468,129	144,048,900	144,800,000
Returned to County					
Amount	1,690,788	3,610,649	2,667,783	1,631,855	N/A
Percentage	1.24%	2.58%	1.88%	1.12%	N/A
Uncollected at End of Year of Levy	None	None	None	None	None

Tax Collection Procedure

Property taxes for the Town, together with County, fire and school district taxes are collected by the Town Receiver of Taxes on a single tax bill. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and payable and 10% after May 31.

The Receiver of Taxes distributes the collected tax money to the Town, fire and school districts prior to distributing the balance to the County. Uncollected amounts are not segregated by the Receiver of Taxes and any deficiency in tax collection is the County’s responsibility. The Town thereby is assured to receive its tax levy.

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 thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, 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 to pay the bonds and notes of the Town and interest thereon is subject to statutory limitations set forth in Tax Levy Limit Law.

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

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the 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 Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Town. The Town Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Town Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Town, 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.

Tax Rates

	Tax Rates				
	(Per \$1,000 Assessed Valuation)				
	Fiscal Year Ending December 31:				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General - Townwide	\$ 213.29	\$ 251.42	\$ 252.30	\$ 267.66	\$ 268.89
General - Outside Village	6.53	2.86	6.93	8.47	8.26
Highway	56.68	59.63	54.55	60.45	60.02

Large Taxable Properties
2022-2023 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Peconic Landing at Southold	Residential Community	\$1,202,500
Lilco, LIPA, Marketspan, Keyspan	Utility	514,000
Keyspan	Utility	513,129
Village of Greenport- Power Plant	Utility	383,800
Robins Island Holding LLC	Private Lands	336,900
CR 48/7750 Bridge/26285 Rte 48	Commercial	285,300
Cardinale Alan	Shopping Center	281,550
Fishers Island Dev. Corp	Residential Community	272,300
Damianos Herodotus	Vineyard	139,100
Strongs Marine/Strongs West	Marina	134,430
Brewer Yacht Yard @ Gpt	Marina	131,100
E & C Property Holdings	Commercial	128,400
Richmond Creek Ptr/Meeserz	Farmland & Private Lands	120,000
Norris, Susan	Various Properties	114,700
F.I Electrics	Commercial	112,909
	Total ^b	\$4,670,118

a. Assessment Roll established in 2022 for levy and collection of taxes during 2023 Fiscal Year.

b. Represents approximately 4.15% of the total taxable assessed valuation of the Town for 2023.

LITIGATION

The Town of Southold is subject to a number of lawsuits in the ordinary conduct of its affairs. For the most part, any potential adverse decisions in such suits, either individually or in the aggregate, are not likely to have a material adverse effect on the Town due to indemnity and insurances provisions incorporated in all contractual relationships. The few actions arising out of alleged negligence are covered by applicable insurance with small self-retentions. Overall, the number of pending actions against the Town are minimal.

There are certain matters worthy of special mention:

Nocro, Ltd. and The Heritage at Cutchogue, LLC v. Scott A. Russell, et al.

This action sought to nullify certain actions of the Town Board and/or the Planning Board, including the adoption of residential subdivision regulations and certain resolutions pertaining to the State Environmental Quality Review Act, as well as compensatory damages in the sum of \$40 million and punitive damages based upon allegations that the Town defendants conspired to deprive it of certain constitutional rights. The Town entered into a Stipulation of Settlement with the Plaintiffs that stayed the action while the Plaintiffs pursued site plan approval pursuant to the Stipulation of Settlement. The Plaintiffs obtained final site plan approval and the matter has been discontinued. Pursuant to the Stipulation, the Plaintiffs may only recommence the litigation based upon the occurrence of a limited number of events, such as the failure of the Town to abide by the stipulation. The Plaintiffs have commenced construction and the project is approximately 85% complete.

Soullas, Blanchard & DiStefano v. Town of Southold

This matter involves 4 separate lawsuits resulting from a boating on November 10, 2019, at approximately 9:00 p.m. wherein a vessel crashed into a bulkhead fronting on the Great Peconic Bay approximately 200 feet west of the entrance to James Creek near the entrance to James Creek in Mattituck. The 39-foot vessel was owned and operated by Francesco DiStefano (one of the plaintiffs). On board with DiStefano were passengers Kelley Blanchard (27 yrs old), Megan Blanchard (29 yrs. old) and 40-year-old Soullas. As a result of the crash, passenger Kelly Blanchard died from her injuries. DiStefano, Soullas and Megan Blanchard were all hospitalized.

With respect to damages, Soullas sustained a number of broken bones allegedly requiring a two-week hospital stay. Megan Blanchard sustained a fractured left femur requiring surgical intervention and a 10-day hospitalization. DiStefano has also alleged a number of fractures, as well as presumed damage from having been the “target of libelous statements” by the Town police department relative to his operation of the boat. The injuries sustained are significant. It is unclear if the damages for each plaintiff, in the aggregate, will exceed the Town’s primary policy limits.

The Town’s exposure to the claim is minimal at best, as it does not own or control the bay. There is no evidence to suggest at this stage that the Town assumed a special duty/relationship to any of the involved parties which might give rise to liability. Further, there is no evidence at this early stage which might establish that the Town affirmatively removed buoys and/or other nautical signals. Further investigation will be conducted; the Town notes further that the boat driver, DiStefano, bears significant fault for any injuries sustained by Blanchard or Soullas.

Garrett Lake v Town of Southold

Plaintiff in this action alleges that he was improperly terminated by the Town during his initial probationary period as a police officer due to illegitimate reasons. In that the termination occurred during the period of probation, a litigant bears the responsibility of presenting competent proof of the alleged illegal reason for termination. Judicial review of the discharge of a probationary employee is limited in nature. The Town’s position is buttressed by testimony of the Department Chief, Town Supervisor and members of the Town Board. This action is venued in Suffolk County and will likely proceed to trial during the later part of 2023. The trial will be a bench trial without a jury and the Town is represented by outside counsel. Plaintiff claims entitlement to reinstatement of employment and back pay, amounting to approximately \$900,000.00. The complaint was originally dismissed on motion and later reinstated on the limited issue presented.

Schulman et al v Town of Southold

This action seeks to recover damages for personal injuries and wrongful deaths which resulted from an accident involving a limousine occurring on July 18, 2015. The target defendants are the owner/operator of the other vehicle involved in this intersection accident - which occurred while the limousine carrying the plaintiffs attempted a “U” turn on County Route 48. The defendants also include the entity which modified the limousine, as plaintiffs’ assert that such modification was done negligently. Four of the plaintiffs suffered serious and debilitating injury, the remaining plaintiffs deceased from the occurrence. County Route 48 is owned and maintained by the County, who is also a named defendant. The multiple plaintiffs had alleged that the Town shared in the responsibility for the occurrence because the Town did not take action to improve the safety of the intersection despite ongoing resident complaints. While Route 48 is a County roadway, plaintiffs alleged that the Town could be held accountable because it established control of the roadway by affirmatively taking action to improve safety by recommending traffic studies, installing no parking signs, stepping up police enforcement and upgrading traffic control devices.

On June 21, 2023, this action was dismissed against the Town by Short Form Order of the Hon Stephen Hackeling. The Order has been served on all parties but the time to appeal has not yet expired. There is nothing in the underlying record or decision of Justice Hackeling that indicates that an appeal, if taken, could be successful in overturning this dismissal against the Town.

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. The Town is currently exploring insurance options to assist with any associated costs should a breach occur.

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. The Town received approximately \$2.1 million in direct aid through the ARPA which was signed into law on March 11, 2021. According to the ARPA, the Town must obligate the funds by December 31, 2024 and expend them by December 31, 2026. The Town, under the provisions allowable under the ARPA, has obligated such funds for infrastructure improvements.

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 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.

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 and the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds and the Notes 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 and the Notes 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 and the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds and the Notes, and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds and the Notes 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 and the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Bonds and the Notes, 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 this 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 and the Notes.

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 and the Notes in order that interest on the Bonds and the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds and the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds and the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The 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 and the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

Bond and Note 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 or the note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Obligation”). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the bond premium over the remaining term of the Premium Obligation, based on the owner’s yield over the remaining term of the Premium Obligation, determined based on constant yield principles (in certain cases involving a Premium Obligation 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 and note). An owner of Premium Obligation must amortize the bond and note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond and note premium allocable to that period. In the case of a tax-exempt Premium Obligation, if the bond premium allocable to an accrual period exceeds the qualified stated

interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Obligation may realize a taxable gain upon disposition of the Premium Obligation even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Obligations should consult their own tax advisors regarding the treatment of bond and note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond and note premium on, sale, exchange, or other disposition of Premium Obligations.

Information Reporting and Backup Withholding

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

If an owner purchasing Bond and Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bond or Note 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 and the Notes under federal or state law or otherwise prevent beneficial owners of the Bonds and the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds and the Notes.

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

LEGAL MATTERS

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

DISCLOSURE UNDERTAKING

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

The Town reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

On January 5, 2022, the Town filed an event notice for the failure to timely file its audited financial statements for the year ending December 31, 2020.

On March 24, 2022, the Town filed an event notice for the failure to timely file its audited financial statements for the year ending December 31, 2021.

RATING

The Notes are not rated. The Town 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 a rating on the Bonds. Such application is pending at this time. The rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from 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 Obligation of the Town.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Town on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and 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 Notes and 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 Kristie Hansen-Hightower, CPA, Comptroller, Town of Southold, 54375 Route 25, Southold, New York 11971, telephone number 631/765-4333 and email: kristieh@southoldtownny.gov or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: <http://www.munistat.com>.

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

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

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

TOWN OF SOUTHOLD, NEW YORK

By: s/s SCOTT A. RUSSELL
Town Supervisor and Chief Fiscal Officer
Town of Southold
Southold, New York

September , 2023

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year Ending December 31:		
	2020	2021	2022
Assets:			
Cash and Investments	\$ 26,751,129	\$ 29,212,795	\$ 32,643,174
Accounts Receivable	19,622	82,974	50,540
Due From Other Funds	331,555	545,606	1,119,227
State and Federal Aid Receivables	20,511	37,789	58,722
Due From Other Governments	950,932	974,385	1,302,574
Inventory of Material & Supplies	3,919	1,492	1,758
Prepaid Expenses	713,746	1,248,086	708,643
Total Assets	28,791,414	32,103,127	35,884,646
Liabilities:			
Accounts Payable & Accrued Liabilities	\$ 967,370	\$ 1,720,474	\$ 917,004
Judgements and Claims	53,076	61	
Due to Other Funds	3,041,471	2,631,380	3,529,530
Due to Component Units	830,553	615,517	
Due to Other Governments	37,003	19,783	
Unearned Revenues & Deffered Inflows	9,179,428	8,198,445	9,031,700
Total Liabilities	14,108,901	13,185,659	13,478,235
Fund Balances			
Nonspendable Fund Balance	717,665	1,249,578	710,402
Committed	366,035	591,331	
Assigned	1,322,765	1,594,736	1,243,080
Unassigned	12,276,348	15,481,822	20,452,930
Total Fund Balances	14,682,813	18,917,467	22,406,412
Total Liabilities and Fund Balances	28,791,714	32,103,127	35,884,646

Sources: Audited Annual Financial Report (2020-2021) & Annual Financial Report Update Document (2022)
Table itself NOT audited.

**Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund Town Wide**

Fiscal Year Ending December 31:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues:					
Real Property Taxes	\$ 26,156,931	\$ 27,661,824	\$ 27,804,178	\$ 29,494,458	\$ 29,943,980
Other Real Property Tax Items	64,466	106,608	91,781	74,753	337,027
Non-Property Tax Items	1,288,673	1,288,673	1,288,673	1,288,673	1,490,273
Departmental Income	395,994	627,553	358,044	428,764	246,315
Intergovernmental Charges	209,138	200,391	110,821	108,753	123,656
Use of Money & Property	278,608	418,554	256,942	211,304	437,414
Licenses & Permits	400,141	402,289	271,159	390,783	504,531
Fines & Forfeitures	323,547	299,053	460,247	398,097	323,203
Sale of Property & Comp. for Loss	605,983	184,068	67,336	140,156	85,447
Miscellaneous Local Sources	121,828	162,223	91,751	194,968	175,751
Interfund Revenues	94,221	123,589	129,225	138,371	5,756
State Aid	1,304,499	1,645,297	1,883,953	2,904,219	2,998,310
Federal Aid	227,635	149,364	617,506	707,341	335,560
Total Revenues	<u>31,471,663</u>	<u>33,269,486</u>	<u>33,431,616</u>	<u>36,480,640</u>	<u>37,007,221</u>
Expenditures:					
General Government Support	7,110,370	7,254,140	7,312,566	7,616,459	7,610,427
Public Safety	10,538,901	10,517,515	10,244,531	10,488,200	10,485,784
Public Health	43,300	33,300	43,300	43,300	43,300
Transportation	518,881	513,511	814,585	858,603	657,158
Economic Assistance & Opportunity	1,331,918	1,416,859	1,408,028	1,190,441	1,315,973
Culture & Recreation	334,143	356,683	351,171	349,272	331,389
Home & Community Services	364,169	348,847	382,775	512,630	343,616
Employee Benefits	9,535,870	9,720,142	9,788,209	10,063,274	10,514,314
Debt Service Principal & Interest	777,339	732,989	559,045	518,716	974,050
Total Expenditures	<u>30,554,891</u>	<u>30,893,986</u>	<u>30,904,210</u>	<u>31,640,895</u>	<u>32,276,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>916,772</u>	<u>2,375,500</u>	<u>2,527,406</u>	<u>4,839,745</u>	<u>4,731,210</u>
Other Financing Sources (Uses):					
Operating Transfers In					154,806
Operating Transfers Out	(313,993)	(849,386)	(692,295)	(605,091)	(805,739)
Total Other Financing Sources (Uses)	<u>(313,993)</u>	<u>(849,386)</u>	<u>(692,295)</u>	<u>(605,091)</u>	<u>(650,933)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	<u>602,779</u>	<u>1,526,114</u>	<u>1,835,111</u>	<u>4,234,654</u>	<u>4,080,277</u>
Fund Balance Beginning of Year	<u>10,718,810</u>	<u>11,321,589</u>	<u>12,847,702</u>	<u>14,682,813</u>	<u>18,917,467</u>
Prior Period Adjustments					<u>(591,333)</u>
Fund Balance End of Year	<u>\$ 11,321,588</u>	<u>\$ 12,847,702</u>	<u>\$ 14,682,813</u>	<u>\$ 18,917,467</u>	<u>\$ 22,406,411</u>

Sources: Audited Financial Reports of the Town (2018-2021) & Annual Financial Report Update Document (2022)
Table itself NOT audited.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Highway Fund Town Wide**

	Fiscal Year Ending December 31:				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues:					
Real Property Taxes	\$ 6,088,491	\$ 5,924,127	\$ 6,292,698	\$ 5,793,219	\$ 6,388,642
Other Real Property Tax Items	3,695	1,331	1,641	1,782	59,476
Use of Money & Property	22,445	40,788	14,919	6,458	58,212
Licenses & Permits	86,660	43,870	131,200	98,469	58,690
Sale of Property & Comp. for Loss	25,374	4,589	28,993	6,297	5,719
Miscellaneous Local Sources		2,113	7,557	14,762	16,307
State Aid	628,541	597,195	477,773	866,888	1,006,132
Federal Aid				99,288	8,888
Total Revenues	<u>6,855,206</u>	<u>6,614,013</u>	<u>6,954,781</u>	<u>6,887,163</u>	<u>7,602,066</u>
Expenditures:					
General Government Support	50,294	63,154	66,794	67,335	10,598
Transportation	3,687,816	3,506,275	3,126,854	3,638,055	3,959,616
Employee Benefits	1,860,902	1,833,720	1,745,402	1,762,808	1,793,188
Debt Service Principal & Interest	152,024	175,361	153,270	142,627	329,267
Total Expenditures	<u>5,751,036</u>	<u>5,578,510</u>	<u>5,092,320</u>	<u>5,610,825</u>	<u>6,092,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,104,170</u>	<u>1,035,503</u>	<u>1,862,461</u>	<u>1,276,338</u>	<u>1,509,397</u>
Other Financing Sources (Uses):					
Operating Transfers In					
Operating Transfers Out	<u>(835,984)</u>	<u>(560,000)</u>	<u>(794,500)</u>	<u>(591,705)</u>	<u>(999,855)</u>
Total Other Financing Sources (Uses)	<u>(835,984)</u>	<u>(560,000)</u>	<u>(794,500)</u>	<u>(591,705)</u>	<u>(999,855)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	<u>268,186</u>	<u>475,503</u>	<u>1,067,961</u>	<u>684,633</u>	<u>509,542</u>
Fund Balance Beginning of Year	<u>1,162,010</u>	<u>1,430,196</u>	<u>1,905,699</u>	<u>2,973,660</u>	<u>3,658,293</u>
Prior Period Adjustments					<u>2</u>
Fund Balance End of Year	<u>\$ 1,430,196</u>	<u>\$ 1,905,699</u>	<u>\$ 2,973,660</u>	<u>\$ 3,658,293</u>	<u>\$ 4,167,837</u>

Sources: Audited Financial Reports of the Town (2018-2021) & Annual Financial Report Update Document (2022)
Table itself NOT audited.

Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Government Funds ⁽¹⁾

	Fiscal Year Ending December 31:				
	2018	2019	2020	2021	2022
Revenues:					
Real Property Taxes	\$ 3,499,904	\$ 3,494,081	\$ 3,802,475	\$ 3,847,489	\$ 2,710,020
Other Real Property Tax Items	470	163	233	270	17,227
Non-Property Tax Items	696,633	684,075	665,319	696,012	680,832
Departmental Income	2,688,528	3,086,829	2,944,784	3,812,002	1,219,751
Use of Money & Property	37,112	38,071	14,727	8,452	28,129
Licenses & Permits	158,708	241,640	199,153	245,433	103,430
Sale of Property & Comp. for Loss	253,428	341,346	134,256	230,035	40
Miscellaneous Local Sources		1,550	4467	8,957	89,060
State Aid	233,835	273,975	123,528	88,328	0
Federal Aid	81,545	137,500	345,893	157,607	66,824
	<u>7,650,163</u>	<u>8,299,230</u>	<u>8,234,835</u>	<u>9,094,585</u>	<u>4,915,313</u>
Expenditures:					
General Government Support	424,157	477,061	518,371	542,836	207,315
Public Safety	1,359,824	1,506,509	1,562,162	1,613,370	1,641,179
Home & Community Services	3,529,154	3,703,841	3,799,951	3,969,052	1,643,331
Employee Benefits	1,397,284	1,436,415	1,467,805	1,523,986	983,851
Debt Service Principal & Interest	655,291	336,559	327,371	307,182	8,424
	<u>7,365,710</u>	<u>7,460,385</u>	<u>7,675,660</u>	<u>7,956,426</u>	<u>4,484,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>284,453</u>	<u>838,845</u>	<u>559,175</u>	<u>1,138,159</u>	<u>431,213</u>
Other Financing Sources (Uses):					
Operating Transfers In				148	
Operating Transfers Out		(120,000)	(230,000)	(80,000)	(64,896)
	<u>0</u>	<u>(120,000)</u>	<u>(230,000)</u>	<u>(79,852)</u>	<u>(64,896)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures and Other Uses	<u>284,453</u>	<u>718,845</u>	<u>329,175</u>	<u>1,058,307</u>	<u>366,317</u>
Fund Balance Beginning of Year	<u>2,544,760</u>	<u>2,829,213</u>	<u>3,548,058</u>	<u>3,877,233</u>	<u>4,935,540</u>
Prior Period Adjustments					
Fund Balance End of Year	<u>\$ 2,829,213</u>	<u>\$ 3,548,058</u>	<u>\$ 3,877,233</u>	<u>\$ 4,935,540</u>	<u>\$ 5,301,857</u>

(1) Includes the following funds: General Fund Part Town, Special Grant Fund, East-West Fire Protection Fund, Southold Wastewater District, Fishers Island Sewer District and Solid Waste Management District

Sources: Audited Financial Reports of the Town (2018-2021) & Annual Financial Report Update Document (2022)
Table itself NOT audited.

Budget Summary

Fiscal Year Ending December 31, 2022

Fund	Appropriations & Provisions <u>for</u> <u>Other Uses</u>	Less: Estimated <u>Revenues</u>	Less: Unexpended <u>Balance</u>	Amount to Be Raised <u>by Tax</u>
General	\$ 36,684,965	\$ 5,940,985	\$ 800,000	\$ 29,943,980
General - Outside Village	3,404,345	2,235,118	125,000	1,044,227
Highway - Townwide	7,461,879	998,237	75,000	6,388,642
Community Preservation Fund	20,121,181	10,015,000	10,106,181	
Risk Retention Fund	<u>754,911</u>	<u>754,911</u>		
 Total - Town	 <u>\$ 68,427,281</u>	 <u>\$ 19,944,251</u>	 <u>\$ 11,106,181</u>	 <u>\$ 37,376,849</u>
 East-West Fire Protection District	 839,316	 100		 839,216
Fishers Island Ferry District	4,684,500	3,264,728		1,419,772
Solid Waste Management District	4,723,151	2,528,800		2,194,351
Fishers Island Sewer District	32,875	32,875		0
F.I. Waste Management District	856,400	98,250		758,150
Orient Mosquito District	<u>97,960</u>			<u>97,960</u>
 Subtotal - Special Districts	 <u>\$ 11,234,202</u>	 <u>\$ 5,924,753</u>	 <u>\$ 0</u>	 <u>\$ 5,309,449</u>
 Orient-East Marion Park District	 55,900		 10,000	 45,900
Southold Park District	390,955	50,578		340,377
Cutchogue - New Suffolk Park Dist.	135,303			135,303
Mattituck Park District	<u>606,600</u>	<u>55,500</u>	<u>230,688</u>	<u>320,412</u>
 Subtotal - Park Districts	 <u>\$ 1,188,758</u>	 <u>\$ 106,078</u>	 <u>\$ 240,688</u>	 <u>\$ 841,992</u>
 Fishers Island Fire District	 560,000			 560,000
Orient Fire District	786,723	82,900		703,823
East Marion Fire District	639,674	92,500		547,174
Southold Fire District	2,119,332	30,500		2,088,832
Cutchogue Fire District	1,958,678		2,500	1,956,178
Mattituck Fire District	<u>2,226,571</u>	<u>20,075</u>		<u>2,206,496</u>
 Subtotal - Fire Districts	 <u>\$ 8,290,978</u>	 <u>\$ 225,975</u>	 <u>\$ 2,500</u>	 <u>\$ 8,062,503</u>
 Total - All Districts	 <u>20,713,938</u>	 <u>6,256,806</u>	 <u>243,188</u>	 <u>14,213,944</u>
 Grand Total	 <u><u>\$ 89,141,219</u></u>	 <u><u>\$ 26,201,057</u></u>	 <u><u>\$ 11,349,369</u></u>	 <u><u>\$ 51,590,793</u></u>

Source: Town of Southold Summary of Town Budget 2022 adopted.

Budget Summary

Fiscal Year Ending December 31, 2023

Fund	Appropriations & Provisions <u>for</u> <u>Other Uses</u>	Less: Estimated <u>Revenues</u>	Less: Unexpended <u>Balance</u>	Amount to Be Raised <u>by Tax</u>
General	\$ 39,167,577	\$ 7,236,139	\$ 1,528,239	\$ 30,403,199
General - Outside Village	3,553,339	2,543,478	125,000	884,861
Highway - Townwide	8,377,033	1,555,236	400,000	6,421,797
Community Preservation Fund	22,941,880	10,025,000	12,916,880	
Risk Retention Fund	805,500	805,500		
Total - Town	\$ 74,845,329	\$ 22,165,353	\$ 14,970,119	\$ 37,709,857
East-West Fire Protection District	868,809	7,650		861,159
Fishers Island Ferry District	6,287,100	4,867,400		1,419,700
Solid Waste Management District	4,632,737	2,451,395	50,000	2,131,342
Fishers Island Sewer District	32,870	32,870		0
F.I. Waste Management District	952,689	42,000		910,689
Orient Mosquito District	99,900			99,900
Subtotal - Special Districts	\$ 12,874,105	\$ 7,401,315	\$ 50,000	\$ 5,422,790
Orient-East Marion Park District	60,000		10,000	50,000
Southold Park District	397,762	50,578		347,184
Cutchogue - New Suffolk Park Dist.	135,796			135,796
Mattituck Park District	682,000	112,400		569,600
Subtotal - Park Districts	\$ 1,275,558	\$ 162,978	\$ 10,000	\$ 1,102,580
Fishers Island Fire District	553,360			553,360
Orient Fire District	905,271	84,500		820,771
East Marion Fire District	687,652	133,000		554,652
Southold Fire District	2,161,719	33,043		2,128,676
Cutchogue Fire District	2,025,579		3,050	2,022,529
Mattituck Fire District	2,563,840	20,075		2,543,765
Subtotal - Fire Districts	\$ 8,897,421	\$ 270,618	\$ 3,050	\$ 8,623,753
Total - All Districts	23,047,084	7,834,911	63,050	15,149,123
Grand Total	\$ 97,892,413	\$ 30,000,264	\$ 15,033,169	\$ 52,858,980

Source: Town of Southold Summary of Town Budget 2023 adopted.

TOWN OF SOUTHOLD

APPENDIX B

**UNAUDITED ANNUAL REPORT UPDATE DOCUMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

[▶ Click Here For 2022 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

September __, 2023

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Southold (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 \$9,130,000 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.

The Town expects to issue its \$5,795,000 Bond Anticipation Note-2023 (the “Note”) on September 20, 2023. The Note is treated, together with the Bonds, as a single issue for federal tax purposes. We serve as Bond Counsel with respect to the issuance of the Note and, on the closing date of the Note, we expect to render our opinion with respect to the exclusion of interest on the Note from gross income for federal income tax purposes in substantially the form of paragraph 2 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Bonds and the Note to become subject to federal income taxation retroactive to the respective dates of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

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 the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

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 the Bonds.

Very truly yours,

FORM OF OPINION OF BOND COUNSEL

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

September , 2023

The Board of Trustees of the
Town of Southold, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Southold (the “Town”), in the County of Suffolk, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$5,795,000 Bond Anticipation Notes – 2023 (the “Notes”) of the Town 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.

The Town expects to issue its \$9,130,000 Public Improvement Serial Bonds-2023 (the “Bonds”) on September 20, 2023. The Bonds are treated, together with the Note, as a single issue for federal tax purposes. We serve as Bond Counsel with respect to the issuance of the Bonds and, on the closing date of the Bonds, we expect to render our opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes in substantially the form of paragraph 2 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Note and the Bonds to become subject to federal income taxation retroactive to the respective dates of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

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

1. The Notes 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 Notes 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 Notes 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 Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning

after December 31, 2022, interest on the Notes 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 that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes 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 Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Town will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes 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 certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, 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 Notes 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 Notes, 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 Notes.

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

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.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“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 Southold**, in the County of Suffolk, a municipal corporation of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of September 12, 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 **\$9,130,000 Public Improvement Serial Bonds-2023**, dated September 20, 2023, maturing in various principal amounts on September 15 in each of the years 2024 to 2042, 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, 2023, 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, 2023, 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 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," "ECONOMIC AND DEMOGRAPHIC INFORMATION," "INDEBTEDNESS OF THE TOWN," "FINANCES OF THE TOWN," "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 September 20, 2023.

TOWN OF SOUTHOLD

By _____
Supervisor and Chief Fiscal Officer

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

“Financial Obligation” shall mean “financial obligation” as such term is defined in Rule 15c2-12.

“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 Southold, in the County of Suffolk, a municipal corporation of the State of New York.

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Town Supervisor as of September 20, 2023.

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

“Securities” shall mean the Issuer’s **\$5,795,000 Bond Anticipation Notes – 2023**, dated September 20, 2023, maturing September 20, 2024, and delivered on the date hereof.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) 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;

- (xiii) 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Town, 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
- (xvi) 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.

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

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

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

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

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

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 20, 2023**.

TOWN OF SOUTHOLD, NEW YORK

By: _____
Town of Supervisor