

STATEMENT

OF

ANNUAL FINANCIAL AND OPERATING INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

TOWN OF SOUTHOLD
SUFFOLK COUNTY, NEW YORK

DATED: MAY 22, 2016

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

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TOWN BOARD

Scott A. Russell, Supervisor

James Dinizio, Jr.
Jill M. Doherty
Louisa P. Evans
Robert Ghosio Jr.
William P. Ruland

Elizabeth A. Neville, Town Clerk
Vincent M. Orlando, Superintendent of Highways
John A. Cushman II, Town Comptroller
William Duffy, Esq., Town Attorney
George R. Sullivan, Receiver of Taxes

* * *

MUNICIPAL ADVISOR

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**STATEMENT OF ANNUAL FINANCIAL
AND OPERATING INFORMATION**

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

The material set forth herein, including the cover page, has been prepared by the Town of Southold, Suffolk County, New York (the "Town", the "County", and the "State", respectively) in connection with its obligation to prepare and submit such material in accordance with the Continuing Disclosure Undertakings and the Official Statements having been prepared in connection with the sale and issuance of the following outstanding bond issues:

\$ 2,380,000	Refunding Serial Bonds - 2005
\$ 3,000,000	Fishers Island Ferry District Serial Bonds - 2005
\$14,650,000	Public Improvement Serial Bonds - 2007
\$ 8,850,000	Public Improvement Serial Bonds - 2008
\$ 5,283,000	Public Improvement Serial Bonds - 2009
\$ 2,125,000	Refunding Serial Bonds - 2009
\$13,175,000	Public Improvements Serial Bonds - 2011
\$ 9,020,000	Refunding Serial Bonds - 2015
\$ 550,000	Public Improvements Serial Bonds - 2016

THE TOWN

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

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, and 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 205 union and 70 non-union employees

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

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association.....	164	12-31-16
Police Benevolent Association.....	52	12-31-14 ^a

a. Contract in negotiation

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>New York State</u>
1970.....	16,804	1,127,030	18,241,391
1980.....	19,172	1,284,231	17,557,288
1990.....	19,836	1,321,977	17,990,455
2000.....	20,599	1,419,369	18,976,457
2010.....	23,175	1,518,475	19,541,453
2014.....	22,154	1,500,373	19,594,330

Source: U.S. Bureau of the Census.

Income Data

	Per Capita Money Income			
	1990	2000	2010	2014 ^a
Town of Southold	\$19,037	\$27,619	\$ 41,450	\$46,648
County of Suffolk	18,481	26,577	35,411	37,427
State of New York	16,501	23,389	30,791	32,829

	Median Household Income			
	1990	2000	2010	2014 ^a
Town of Southold	\$35,392	\$49,898	\$83,240	\$83,559
County of Suffolk	49,128	65,288	84,235	88,323
State of New York	32,965	43,393	55,217	58,687

Source: United State Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimates (2010-2014)

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 implied from the inclusion of such data in this Statement that the Town is necessarily representative of the County or vice versa.

Annual Averages:	Suffolk County	New York State
2010.....	7.6%	8.9%
2011.....	8.9	8.0
2012.....	7.8	8.6
2013.....	6.5	7.7
2014.....	5.3	6.4
2015.....	4.8	5.3

Source: Department of Labor, State of New York

Selected Listing of Larger Employers

Name	Type	Approximate No. of Employees
Eastern Long Island Hospital.....	Hospital	390
Mattituck-Cutchogue UFSD.....	Public School	380
Plum Island ADC.....	U.S. Govt. Facility	360
Town of Southold.....	Local Government	275
Peconic Landing.....	Life Care Community	214
Southold UFSD.....	Public School	164
San Simeon by the Sound.....	Nursing Home	175
Claudio's Restaurant.....	Restaurant	120
Greenport UFSD.....	Public School	100
Stidd Systems.....	Marine Parts	75
Village of Greenport.....	Local Government	73

INDEBTEDNESS OF THE TOWN

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

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of May 22, 2016)

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Rate</u>	<u>Full Valuation</u>
2012	\$108,282,986	1.11%	\$9,755,223,964
2013	107,853,985	1.15	9,378,607,391
2014	107,615,154	1.18	9,119,928,305
2015	107,438,154	1.17	9,182,748,205
2016	107,927,842	1.10	<u>9,811,622,000</u>
Total Five Year Full Valuation			\$47,248,129,865
Average Five Year Full Valuation			9,449,625,973
Debt Limit - 7% of Average Full Valuation.....			661,473,818
Inclusions:			
Outstanding Bonds:			
General Purposes ^a			32,150,000
Other			<u>0</u>
Sub-Total			32,150,000
Bond Anticipation Notes			<u>2,800,000</u>
Total Inclusions			<u>34,950,000</u>
Exclusions:			
Appropriations for Outstanding Bonds.....			625,000
Appropriations for Outstanding Notes.....			649,000
Other Exclusions.....			<u>0</u>
Total Exclusions.....			1,274,000
Total Net Indebtedness.....			<u>33,676,000</u>
Net Debt Contracting Margin.....			<u>\$627,797,818</u>
Percent of Debt Limit Exhausted			5.09%

a. Includes \$23,696,404 in bonds outstanding for the preservation of open space. See "Community Preservation Fund" herein.

Trend of Town Indebtedness

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

	Fiscal Year Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Outstanding End of Year:					
Bonds	\$44,385,000	\$41,730,000	\$39,185,000	\$36,610,000	\$33,530,000
Bond Anticipation Notes	<u>2,992,000</u>	<u>1,494,000</u>	<u>1,523,000</u>	<u>2,959,000</u>	<u>3,529,000</u>
Total Debt Outstanding	<u>\$47,377,000</u>	<u>\$43,224,000</u>	<u>\$40,708,000</u>	<u>\$39,569,000</u>	<u>\$37,059,000</u>

Details of Short-Term Indebtedness Outstanding

Bond Anticipation Notes

<u>Maturity</u>	<u>Purposes</u>	<u>Amount Outstanding</u>
08/26/2016	Various Purposes	\$ 2,800,000
	Total.....	<u>\$2,800,000</u>

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$2,555,000	\$1,284,594	\$3,839,594
2017	2,765,000	1,171,527	3,936,527
2018	2,805,000	1,071,419	3,876,419
2019	2,375,000	988,669	3,363,669
2020	2,215,000	910,806	3,125,806
2021	2,275,000	827,156	3,102,156
2022	2,040,000	743,356	2,783,356
2023	2,125,000	662,006	2,787,006
2024	2,180,000	576,256	2,756,256
2025	2,225,000	485,113	2,710,113
2026	2,020,000	394,913	2,414,913
2027	2,060,000	308,675	2,368,675
2028	2,115,000	223,700	2,338,700
2029	2,145,000	142,169	2,287,169
2030	<u>2,180,000</u>	<u>59,109</u>	<u>2,239,109</u>
Totals.....	<u>\$34,080,000</u>	<u>\$9,849,468</u>	<u>\$43,929,468</u>

a. Includes \$26,266,800 in bonds issued for the preservation of open space. See "Community Preservation Fund" herein. Also includes \$550,00 Public Improvement Serial Bonds which closed on April 6, 2016. Does not reflect payments made to date.

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	04-20-16	3.69%	\$82,719,993	\$50,641,438
Village of Greenport.....	11-20-15	100.00	8,065,410	6,050,000
School Districts ^a				
Fishers Island	06-30-15	100.00	0	0
Greenport.....	11-18-15	100.00	7,830,000	7,047,000
Mattituck-Cutchogue	11-18-15	98.49	19,003,645	17,483,353
New Suffolk Common	06-30-15	100.00	0	0
Oysterponds	06-30-15	100.00	26,399	26,399
Southold	11-18-15	100.00	2,965,000	2,950,000
Fire District.....				
Cutchogue.....	12-31-14	100.00	71,341	71,341
East Marion	12-31-14	100.00	29,018	29,018
Fishers Island.....	12-31-14	100.00	0	0
Mattituck	12-31-14	100.00	685,105	685,105
Orient.....	12-31-14	100.00	0	0
Southold	12-31-14	100.00	<u>450,000</u>	<u>450,000</u>
Totals.....			<u>\$121,845,811</u>	<u>\$85,433,654</u>

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

Debt Ratios
(As of May 22, 2016)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value^b</u>
Total Direct Debt.....	\$34,950,000	\$1,578	0.356%
Net Direct Debt	33,676,000	1,520	0.343
Total Direct & Applicable Total Overlapping Debt	156,795,811	7,078	1.598
Net Direct & Applicable Net Overlapping Debt.....	119,109,654	5,376	1.214

a. The current estimated population of the Town is 22,154 (U.S. Census).

b. The full valuation of taxable real property in the Town for 2015-16 is \$9,811,622,000.

Authorized But Unissued Items

The following Bonds are authorized but unissued:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
08-16-11	Stormwater Mitigation	\$ 439,100
09-10-13 & 12-01-15	Highway Facility Improvements	<u>2,462,000</u>
	Total	<u>\$ 2,901,100</u>

Capital Program

The Town annually adopts a three year Capital Improvement Plan. Projects may be funded by State and Federal aid, reserves, proceeds of obligations, property taxes or a combination thereof. A summary of the Capital Budget for 2014-2016 is set forth below:

<u>Department</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Town.....	\$ 842,250	\$ 190,000	\$ 62,000
Highway Fund.....	<u>110,000</u>	<u>-0-</u>	<u>-0-</u>
Total.....	<u>\$ 952,250</u>	<u>\$ 190,000</u>	<u>\$ 62,000</u>

Sources

Appropriations	\$ 452,250	\$ 190,000	\$ 62,000
Town Debt	<u>500,000</u>	<u>-0-</u>	<u>-0-</u>
Total.....	<u>\$ 952,250</u>	<u>\$ 190,000</u>	<u>\$ 62,000</u>

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, (the "Fund") which is a conservation program to preserve open space and farmland in the five towns. The fund is financed by a 2% tax on real estate sales. 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 Fund facilitates a voluntary program whereby landowners can sell their land or the development rights to the land to the respective towns at fair market value. The towns may issue bonds for purchases to be paid back through the life of the Fund with the 2% tax revenues. When a 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.

The following represents the annual 2% Land Transfer Taxes of the 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 Land Transfer Taxes</u>
2011	\$3,570,355
2012	3,842,768
2013	5,023,334
2014	6,060,255
2015	6,464,184
2016 (Budget).....	6,500,000

As of the date of this Statement, there are \$23,696,404 in bonds outstanding, the debt service on which is expected to be paid for by the Fund. The following represents the annual debt service requirements on the outstanding bonds originally issued for the purposes of preserving open space; it does not reflect payments made to date.

Debt Service Requirements – Community Preservation Fund Only^a

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,364,143	\$ 953,959	\$2,318,102
2017	1,433,861	883,005	2,316,866
2018	1,461,173	833,685	2,294,858
2019	1,473,560	786,455	2,260,015
2020	1,491,947	734,427	2,226,374
2021	1,538,147	677,538	2,215,685
2022	1,563,147	617,523	2,180,670
2023	1,640,497	555,315	2,195,812
2024	1,696,597	489,341	2,185,938
2025	1,729,983	418,923	2,148,906
2026	1,757,982	345,973	2,103,955
2027	1,797,982	270,639	2,068,621
2028	1,856,282	196,265	2,052,547
2029	1,887,355	124,683	2,012,038
2030	<u>1,922,891</u>	<u>51,550</u>	<u>1,974,441</u>
Totals.....	<u>\$24,615,547</u>	<u>\$7,939,278</u>	<u>\$32,554,825</u>

a. Does not reflect 2016 payments made to date.

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 and will continue to comply with said requirements. The ongoing post closure costs are estimated to be between \$17,000 and \$18,500 per year from 2016 through 2018. The Town paid \$15,450 for such costs in 2015 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, 2014. 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 2015 unaudited financial results of the Town are presented in Appendix A. As required by law, The Town prepares an annual Financial Report Update Document for submission to the State Comptroller. Such report for fiscal year ending 2015 has been filed and a copy of such report 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, Highway 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 supervisor is authorized to transfer certain budgeted amounts within departments.

Budget Summaries for the 2015 and 2016 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. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the unaudited Financial Report Update Document of the Town, the Town received approximately 5.39% of its total General Fund operating revenue from State aid in 2015. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has reduced funding to municipalities and school districts in certain years in order to balance its own budget.

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

The following table sets forth the percentage of the Town’s General Fund revenue comprised of State aid for each of the fiscal years 2011 through 2014, and unaudited for 2015.

<u>Year Ended December 31:</u>	<u>Total General Fund Revenue</u>	<u>State Aid</u>	<u>State and Federal Aid To Revenues (%)</u>
2011	\$27,207,336	\$1,133,604	4.17%
2012	26,740,120	1,108,200	4.14
2013	26,727,045	1,267,765	4.74
2014	27,521,679	1,333,819	4.85
2015 (Unaudited)	27,575,921	1,488,134	5.39

Source: Audited financial statements (2011-2014) and the Annual Update Document for 2015 (Unaudited).

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.

Employee Pension System

Substantially all employees of the Town are members of the New York State and Local Employees’ Retirement System (“ERS”) or the State and Local Police and Fire Retirement System (“PFRS”), 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 generally vest after five years of credited service, except for “Tier 6” employees, as discussed below, whose benefits vest after ten 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. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

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

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.

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

Pursuant to Chapter 105 of the Laws of 2010, the New York State Legislature authorized local governments to make available a retirement incentive program with estimated total costs to the Town of \$312,837. The cost of the program is being billed and paid over five years beginning in 2012 and will include interest at 7.5%. The 2014 installment was paid during 2013. Future principal and interest payments to maturity are as follows:

<u>Fiscal Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal And Interest</u>
2016.....	<u>\$66,909</u>	<u>\$5,019</u>	<u>\$71,928</u>
Totals	<u>\$66,909</u>	<u>\$5,019</u>	<u>\$71,928</u>

Contributions to the Retirement Systems

<u>Fiscal Year Ending December 31:</u>	<u>Amount of Contribution</u>
2011	\$3,136,267
2012	3,276,453
2013	4,628,692
2014	3,721,926
2015	3,905,133
2016 (Budget)	4,004,900

Other Post Employment Benefits

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

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

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

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Town presents its financial statements under a comprehensive statutory basis of accounting in accordance with principles prescribed by the Office of the State Comptroller ("OSC") of the State of New York.

The Town's annual other postemployment benefits cost, the amount actually paid and changes to the Town's net other postemployment benefits obligation to the Plan for the year ended December 31, 2015 are as follows:

Normal Cost	\$2,665,507
Amortization of unfunded actuarial liability (UAAL) over 30 years	3,726,053
Interest	<u>239,684</u>
Annual Required Contribution (ARC)	6,631,244
Interest on net other postemployment benefits obligation	1,327,333
Adjustment to ARC	<u>(1,985,252)</u>
Annual OPEB cost (expense)	5,973,325
Less: contribution for year ended December 31, 2013	<u>1,580,053</u>
Increase in net OPEB obligation	4,393,272
Net OPEB obligation – beginning of year	<u>35,395,548</u>
Net OPEB obligation – end of year	<u>\$39,788,820</u>

The Town’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town’s finances and could force the Town to reduce services, raise taxes or both.

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

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 B, herein.) Property taxes accounted for approximately 84% of total general fund revenues, for the fiscal year ended 2015. 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 2011 through 2015, and, as budget, for the year ending December 31, 2016.

<u>Year Ended December 31:</u>	<u>Total General Fund Town Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2011	\$27,207,336	\$21,734,453	79.881%
2012	26,740,120	22,412,761	83.82
2013	26,727,045	22,215,752	83.12
2014	27,521,679	23,042,527	83.73
2015 (Unaudited)	27,575,921	23,191,122	84.09
2016 (Budgeted)	28,574,287	23,991,479	83.96

Source: Audited financial statements (2010-2014), unaudited financial statements (2015) and the adopted budget for the fiscal year ending December 31, 2016.

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Tax Levy.....	\$117,274,147	\$120,372,442	\$123,165,036	\$126,505,103	\$127,446,794
Amount Collected.....	112,913,821	115,755,965	118,579,140	121,356,218	76,500,000 ^a
Returned to County					
Amount	4,360,326	4,616,477	4,585,896	5,148,885	NA
Percentage	3.72%	3.84%	3.72%	4.07%	NA
Uncollected at End of Year of Levy	None	None	None	NA	NA

a. As of April 29, 2016.

Tax Collection Procedure

Property taxes for the Town are collected by the Town tax receiver. 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. The penalty added to delinquent taxes is one-twelfth the rate of interest determined by the State Commissioner of Taxation and Finance. The rate is determined each year by July 15 based on the one-year constant maturity yield index for United States Treasury securities for the quarter-year ending on the immediately preceding June 30. The rate is effective for a twelve month period commencing August 1 each year and in no event will be less than ten per centum per annum.

The Town receives its full levy before the end of its fiscal year. Uncollected amounts are not segregated by the Town tax receiver, and any deficiency in tax collection is the County's liability.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo). It also applies to independent special districts and to improvements districts as part of their parent municipalities tax levies.

The Tax Levy Limitations Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Each municipality, prior to adoption of each fiscal year budget, must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions

include counties, cities (other than any town with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreement and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

Tax Rates
(Per \$1,000 Assessed Valuation)
Fiscal Year Ending December 31:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General - Townwide	\$206.45	\$205.19	\$213.29	\$215.03	\$221.25
General - Outside Village	5.69	8.41	6.53	2.86	4.68
Highway	46.11	47.98	45.98	45.23	51.08

Large Taxable Properties
2015-2016 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
LILCO, LIPA Marketspan Keyspan.....	Utility	\$1,783,157
Peconic Landing at Southold.....	Residential Community	1,357,704
Village of Greenport-Power Plant.....	Utility	400,000
Cardinale, Alan.....	Shopping Center	373,000
Fishers Island Dev. Corp.	Residential Community	354,100
Robins Island Holding LLC	Private Lands	336,900
Damianos, Herodotus	Vineyard	181,400
New York Telephone/Verizon	Utility	143,216
E & C Property Holdings	Commercial	128,400
Brewer Yacht Yard @ Gpt.....	Marina	125,000
Levin Family Limited Partnership.....	Motel & Restaurant	124,950
Anderson, Bradley & Francesca.....	Farmland & Private Lands	120,200
Norris, Susan	Various Properties	114,700
North Fork Bank	Bank Building	100,136
Laurel Links Country Club.....	Country Club	<u>95,750</u>
		<u>\$5,738,613^b</u>

a. Assessment Roll established in 2015 for levy and collection of taxes during 2016 Fiscal Year.
b. Represents approximately 5.31% of the total taxable assessed valuation of the Town for 2016.

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.

There are certain matters worthy of special mention:

Nocro, Ltd. and The Heritage at Cutchogue, LLC v. Scott A. Russell, et al. This action seeks 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. Insurance coverage may be available for potential liability for alleged compensatory damages. The Suffolk County Supreme Court dismissed all actions against each governmental officer named personally in the suit. The Town has entered into a Stipulation of Settlement with the Plaintiffs that stays the action while the plaintiffs make a site plan application for a 55 and older community at the subject property to the Town of Southold Planning Board. The Stipulation contains a conceptual plan that shall be the basis for the Plaintiffs' application to the Town of Southold Planning Board and sets the maximum number of units, the maximum gross floor area and the required percentage of open space for the project. The defendant has been proceeding through the site plan process and the planning board recently accepted the applicant's Draft Environmental Impact Statement. Upon the Plaintiffs receiving final site plan approval, the action will be 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.

East End Resources, LLC v. Town of Southold Planning Board, et al. This action arises from a residential site plan application pending before the Town of Southold Planning Board, seeking the approval of a multi-unit planned retirement community (the "Application"). Plaintiff/Petitioner alleges that the Town, and its various agencies, have systematically delayed and sought to defeat the approval of the Application. In this action, Plaintiff/Petitioner asserts eight claims, seeking declaratory relief compelling the approval of the Application, as well as compensatory relief in the amount of \$20 million as a result of alleged federal and state constitutional violations. The Town's appeal of the Trial Court's denial of the Town's motion for summary judgment was recently denied and therefore discovery will now proceed at the trial court level.

Jackson v. Town of Southold Police Dept., et al. Plaintiffs claimed that their Civil Rights were violated during a County Anti-Drug Task Force raid of their home and sought damages in the sum of \$3 million. The warrants at issue in this case were executed by the East End Drug Task Force (EEDTF) under the auspices of the Suffolk County District Attorney's office. Officer Kenneth Richert served as Southold's designee to the EEDTF. The Court granted the Town's motion for summary judgment and all claims against the Town of Southold and the Southold Police Department were dismissed. The claims against Officer Richert were successfully defended by the County at trial. The time for the Plaintiff to perfect an appeal has expired and we consider the matter closed.

MUNICIPAL ADVISOR

Munistat Services, Inc. has acted as the municipal advisor to the Town in connection with the preparation of this Statement.

RATING

Moody's Investors Services has assigned its rating of "Aa1" to the outstanding bonds of the Town. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of market price and the availability of a secondary market for the outstanding bonds and notes of the Town.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the Supervisor, Town of Southold, 53095 Route 25, P.O. Box 1179, Southold, New York 11971, telephone number 631/765-1800, or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Any statements in this Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

This Statement is submitted only in connection with the Town's "Undertaking to Provide Continuing Disclosure" pursuant to Rule 15c2-12 as promulgated by the Securities and Exchange Commission and may not be reproduced or used in whole or in part for any other purpose.


By: s/s SCOTT A. RUSSELL
Supervisor
Town of Southold
Southold, New York

May 22, 2016

TOWN OF SOUTHOLD

APPENDIX A

FINANCIAL INFORMATION

**Balance Sheet
General Fund**

	<u>Fiscal Year Ending December 31:</u>	
	<u>2014</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 14,881,168	\$ 20,496,998
Taxes Receivable		367
Accounts Receivable	108,537	1,708
Due From Other Funds	648,763	433,399
State and Federal Aid Receivables	101,161	28,225
Due From Other Governments	1,029,099	1,148,709
Supply Inventory	2,230	1,674
Prepaid Expenses	<u>1,049,439</u>	<u>1,041,076</u>
Total Assets	\$ <u>17,820,397</u>	\$ <u>23,152,156</u>
LIABILITIES AND FUND EQUITY		
Accounts Payable	\$ 621,879	\$ 575,292
Judgements and Claims	810,302	
Due to Other Funds	2,151,175	3,266,668
Due to Component Units	506,293	
Due to Other Governments	1,419	5,830,880
Unearned Revenues	<u>5,015,873</u>	<u>5,367,362</u>
Total Liabilities	<u>9,106,941</u>	<u>15,040,202</u>
Fund Balances		
Nonspendable Fund Balance	1,051,669	1,042,749
Assigned	4,645,794	3,226,028
Unassigned	<u>3,015,993</u>	<u>3,843,178</u>
Total Fund Equity	<u>8,713,456</u>	<u>8,111,955</u>
Total Liabilities and Fund Equity	\$ <u>17,820,397</u>	\$ <u>23,152,156</u>

Sources: 2014 Audited Financial Reports & 2015 Unaudited Annual Financial Update Document of the Town ("AUD"). The AUD is not prepared in accordance with Generally Accepted Accounting Principles.
Table itself NOT audited.

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

Fiscal Year Ending December 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 21,734,453	\$ 22,412,761	\$ 22,215,752	\$ 23,042,527	\$ 23,191,122
Other Real Property Tax Items	85,765	87,106	88,672	90,140	84,468
Non-Property Tax Items	885,473	885,473	885,473	885,473	1,019,873
Departmental Income	529,774	365,375	371,612	506,796	378,566
Intergovernmental Charges	271,087	265,515	281,879	318,300	201,872
Use of Money & Property	270,073	258,080	218,061	221,700	202,337
Licenses & Permits	269,551	252,802	399,053	323,828	334,392
Fines & Forfeitures	184,388	171,918	209,013	168,973	285,314
Sale of Property & Comp. for Loss	1,024,171	352,696	330,688	148,833	149,521
Miscellaneous Local Sources	310,392	306,501	238,438	239,221	44,569
Interfund Revenues		30,000	30,000	30,000	
State Aid	1,133,604	1,108,200	1,267,765	1,333,819	1,488,134
Federal Aid	508,605	243,693	190,639	212,069	195,752
Total Revenues	<u>27,207,336</u>	<u>26,740,120</u>	<u>26,727,045</u>	<u>27,521,679</u>	<u>27,575,921</u>
Expenditures:					
General Government Support	5,796,536	5,674,226	5,463,810	5,965,043	5,898,933
Public Safety	9,247,050	8,680,449	9,308,943	9,363,682	9,843,839
Public Health	33,788	33,800	33,300	33,300	40,964
Transportation	474,404	474,117	495,712	488,925	496,164
Economic Assistance & Opportunity	1,165,355	1,229,260	1,231,227	1,279,830	1,270,735
Culture & Recreation	277,281	285,985	298,472	299,708	296,303
Home & Community Services	419,977	421,661	403,734	354,646	367,820
Employee Benefits	7,534,913	8,192,073	8,526,179	8,753,791	8,343,227
Debt Service Principal & Interest	800,115	849,415	676,849	672,603	858,690
Total Expenditures	<u>25,749,419</u>	<u>25,840,986</u>	<u>26,438,226</u>	<u>27,211,528</u>	<u>27,416,673</u>
Excess (Deficiency) of Revenues Over Expenditures	1,457,917	899,134	288,819	310,151	159,248
Operating Transfers In	30,000				
Operating Transfers Out	<u>(686,286)</u>	<u>(224,372)</u>	<u>(404,982)</u>	<u>(380,026)</u>	<u>(626,715)</u>
Total Other Financing Sources (Uses)	<u>(656,286)</u>	<u>(224,372)</u>	<u>(404,982)</u>	<u>(380,026)</u>	<u>(626,715)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>801,631</u>	<u>674,762</u>	<u>(116,163)</u>	<u>(69,875)</u>	<u>(467,467)</u>
Fund Balance Beginning of Year	<u>7,423,101</u>	<u>8,224,732</u>	<u>8,899,494</u>	<u>8,783,331</u>	<u>8,713,456</u>
Adjustments					
Fund Balance End of Year	\$ <u>8,224,732</u>	\$ <u>8,899,494</u>	\$ <u>8,783,331</u>	\$ <u>8,713,456</u>	\$ <u>8,245,989</u>

Sources: Audited Financial Reports of the Town (2011-2014) & Unaudited Annual Update Document for 2015 ("AUD")
The AUD is not prepared in accordance with Generally Accepted Accounting Principles
Table itself NOT audited.

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

Fiscal Year Ending December 31:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 4,586,896	\$ 4,762,749	\$ 4,935,817	\$ 4,719,206	\$ 4,641,266
Other Real Property Tax Items	7,148	7,569	7,749	7,532	4,641
Intergovernmental Charges			20,240		
Departmental Income					
Use of Money & Property	6,583	11,971	9,778	7,927	5,579
Licenses & Permits	10,410	12,322	17,808	20,821	15,737
Sale of Property & Comp. for Loss	9,950		5,624	33,181	7,954
Miscellaneous Local Sources		3,399			8,500
State Aid	416,217	338,278	422,878	391,204	644,078
Federal Aid	<u>240,253</u>	<u>463,710</u>	<u>78,979</u>	<u>12,735</u>	<u>69,196</u>
Total Revenues	<u>5,277,457</u>	<u>5,599,998</u>	<u>5,498,873</u>	<u>5,192,606</u>	<u>5,396,951</u>
Expenditures:					
General Government Support	6,283	6,610	6,831	7,215	7,462
Transportation	3,175,948	3,258,750	3,452,305	3,537,370	4,081,500
Employee Benefits	1,517,515	1,706,967	1,970,194	1,769,381	1,705,582
Debt Service Principal & Interest	<u>96,657</u>	<u>187,896</u>	<u>96,281</u>	<u>94,573</u>	<u>224,267</u>
Total Expenditures	<u>4,796,403</u>	<u>5,160,223</u>	<u>5,525,611</u>	<u>5,408,539</u>	<u>6,018,811</u>
Excess (Deficiency) of Revenues Over Expenditures	481,054	439,775	(26,738)	(215,933)	(621,860)
Operating Transfers In			95,000	88,152	225,730
Operating Transfers Out	<u>(129,000)</u>	<u>(120,977)</u>	<u>(157,671)</u>	<u>(53,000)</u>	
Total Other Financing Sources (Uses)	(129,000)	(120,977)	(62,671)	35,152	225,730
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>352,054</u>	<u>318,798</u>	<u>(89,409)</u>	<u>(180,781)</u>	<u>(396,130)</u>
Fund Balance Beginning of Year	<u>642,466</u>	<u>994,520</u>	<u>1,313,318</u>	<u>1,223,909</u>	<u>1,043,128</u>
Prior Period Adjustments					
Fund Balance End of Year	\$ <u><u>994,520</u></u>	\$ <u><u>1,313,318</u></u>	\$ <u><u>1,223,909</u></u>	\$ <u><u>1,043,128</u></u>	\$ <u><u>647,006</u></u>

Sources: Audited Financial Reports of the Town (2011-2014) & Unaudited Annual Update Document for 2015
The AUD is not prepared in accordance with Generally Accepted Accounting Principles

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

	Fiscal Year Ending December 31:				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Real Property Taxes	\$ 3,373,173	\$ 3,239,132	\$ 3,810,118	\$ 3,658,085	\$ 3,337,193
Other Real Property Tax Items	1,364	996	1,415	1,138	344
Non-Property Tax Items	314,260	530,485	568,005	612,931	624,435
Departmental Income	2,501,551	2,592,333	2,752,197	2,913,609	2,210,663
Use of Money & Property	15,522	9,089	10,060	9,507	25,000
Licenses & Permits	168,084	176,377	191,973	156,938	172,480
Sale of Property & Comp. for Loss	358,459	321,485	340,331	385,907	235,652
Miscellaneous Local Sources	9,983	657	6,909	905	
State Aid	149,462	160,184	251,118	205,055	137,721
Federal Aid	197,389	272,389	43,810	140,874	52,539
	<u>7,089,247</u>	<u>7,303,127</u>	<u>7,975,936</u>	<u>8,084,949</u>	<u>6,796,027</u>
Total Revenues					
Expenditures:					
General Government Support	75,439	85,247	56,449	63,620	39,307
Public Safety	1,283,580	1,297,524	1,245,237	1,322,816	1,353,166
Home & Community Services	3,524,760	3,743,899	3,864,700	4,182,189	3,551,291
Employee Benefits	1,181,638	1,262,617	1,362,722	1,273,321	1,296,114
Debt Service Principal & Interest	668,337	685,220	687,086	676,208	757,865
	<u>6,733,754</u>	<u>7,074,507</u>	<u>7,216,194</u>	<u>7,518,154</u>	<u>6,997,743</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over Expenditures	355,493	228,620	759,742	566,795	(201,716)
Operating Transfers In					51,274
Operating Transfers Out	<u>(325,171)</u>	<u>(260,000)</u>	<u>(150,000)</u>	<u>(133,754)</u>	
Total Other Financing Sources (Uses)	(325,171)	(260,000)	(150,000)	(133,754)	51,274
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>30,322</u>	<u>(31,380)</u>	<u>609,742</u>	<u>433,041</u>	<u>(150,442)</u>
Fund Balance Beginning of Year	<u>1,238,789</u>	<u>1,269,111</u>	<u>1,237,731</u>	<u>1,847,473</u>	<u>2,280,514</u>
Adjustments					
Fund Balance End of Year	\$ <u>1,269,111</u>	\$ <u>1,237,731</u>	\$ <u>1,847,473</u>	\$ <u>2,280,514</u>	\$ <u>2,130,077</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

Sources: Audited Financial Reports of the Town (2011-2014) & Unaudited Annual Update Document for 2015
The AUD is not prepared in accordance with Generally Accepted Accounting Principles

**Budget Summary
2015**

Fiscal Year Ending December 31, 2015

Fund	Appropriations & Provisions for Other Uses	Less: Estimated Revenues	Less: Unexpended Balance	Amount to Be Raised by Tax
General	\$ 29,911,682	\$ 3,920,560	\$ 2,800,000	\$ 23,191,122
General-Outside Village	2,200,586	1,337,870	570,000	292,716
Highway-Townwide	5,547,885	449,319	460,000	4,638,566
Community Development	74,310	74,310		0
Risk Retention Fund	542,000	542,000		0
Community Preservation Fund	9,889,950	5,463,000	4,426,950	0
Employees Health Plan	100,000	(605,000)	705,000	0
Total-Town	\$ 48,266,413	\$ 11,182,059	\$ 8,961,950	\$ 28,122,404
Orient Road Improvement District	3,340		640	2,700
East-West Fire Protection District	772,136	500	6,800	764,836
Fishers Island Ferry District	4,485,461	3,260,488	436,870	788,103
Solid Waste Management District	4,551,066	2,329,500	50,000	2,171,566
Southold Wastewater District	111,825		3,750	108,075
Fishers Island Sewer District	33,750	33,750		0
F.I. Refuse & Garbage District	610,540	51,897		558,643
Orient Mosquito District	86,700			86,700
Subtotal-Special Districts	\$ 10,654,818	\$ 5,676,135	\$ 498,060	\$ 4,480,623
Orient-East Marion Park District	55,000	15,000		40,000
Southold Park District	327,726			327,726
Cutchogue-New Suffolk Park Dist.	140,000			140,000
Mattituck Park District	527,917	34,435	80,930	412,552
Subtotal-Park Districts	\$ 1,050,643	\$ 49,435	\$ 80,930	\$ 920,278
Fishers Island Fire District	395,200	25		395,175
Orient Fire District	669,295	51,250		618,045
East Marion Fire District	610,745	86,100	15,000	509,645
Southold Fire District	1,885,031	23,486		1,861,545
Cutchogue Fire District	1,350,633	1,000		1,349,633
Mattituck Fire District	1,890,426			1,890,426
Subtotal-Fire Districts	\$ 6,801,330	\$ 161,861	\$ 15,000	\$ 6,624,469
Total-All Districts	18,506,791	5,887,431	593,990	12,025,370
Grand Total	\$ 66,773,204	\$ 17,069,490	\$ 9,555,940	\$ 40,147,774

Source: Adopted Budget of the Town.

**Budget Summary
2016**

Fiscal Year Ending December 31, 2016

Fund	Appropriations & Provisions for Other Uses	Less: Estimated Revenues	Less: Unexpended Balance	Amount to Be Raised by Tax
General	\$ 30,574,287	\$ 4,582,808	\$ 2,000,000	\$ 23,991,479
General-Outside Village	2,312,486	1,491,058	340,000	481,428
Highway-Townwide	5,954,010	443,580	250,000	5,260,430
Community Development	49,165	49,165		0
Risk Retention Fund	542,000	542,000		0
Community Preservation Fund	12,711,500	6,507,500	6,204,000	0
Employees Health Plan				0
Total-Town	<u>\$ 52,143,448</u>	<u>\$ 13,616,111</u>	<u>\$ 8,794,000</u>	<u>\$ 29,733,337</u>
Orient Road Improvement District	3,190		440	2,750
East-West Fire Protection District	759,191	285	6,000	752,906
Fishers Island Ferry District	4,292,104	3,495,946		796,158
Solid Waste Management District	4,140,507	1,902,700	250,000	1,987,807
Southold Wastewater District				0
Fishers Island Sewer District	31,500	31,500		0
F.I. Refuse & Garbage District	614,871	52,150		562,721
Orient Mosquito District	88,430			88,430
Subtotal-Special Districts	<u>\$ 9,929,793</u>	<u>\$ 5,482,581</u>	<u>\$ 256,440</u>	<u>\$ 4,190,772</u>
Orient-East Marion Park District	54,000		10,000	44,000
Southold Park District	327,726			327,726
Cutchogue-New Suffolk Park Dist.	140,000			140,000
Mattituck Park District	535,756	34,435	80,930	420,391
Subtotal-Park Districts	<u>\$ 1,057,482</u>	<u>\$ 34,435</u>	<u>\$ 90,930</u>	<u>\$ 932,117</u>
Fishers Island Fire District	398,050	15		398,035
Orient Fire District	671,295	53,100		618,195
East Marion Fire District	599,337	89,928		509,409
Southold Fire District	1,896,950	24,190		1,872,760
Cutchogue Fire District	1,389,650	1,000	17,745	1,370,905
Mattituck Fire District	1,911,189			1,911,189
Subtotal-Fire Districts	<u>\$ 6,866,471</u>	<u>\$ 168,233</u>	<u>\$ 17,745</u>	<u>\$ 6,680,493</u>
Total-All Districts	<u>17,853,746</u>	<u>5,685,249</u>	<u>365,115</u>	<u>11,803,382</u>
Grand Total	<u>\$ 69,997,194</u>	<u>\$ 19,301,360</u>	<u>\$ 9,159,115</u>	<u>\$ 41,536,719</u>

Source: Adopted Budget of the Town.

TOWN OF SOUTHOLD

APPENDIX B

**ANNUAL FINANCIAL REPORT UPDATE DOCUMENT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**