

OFFICIAL STATEMENT DATED APRIL 27, 2016

**NEW ISSUE: SERIAL BONDS
BANK QUALIFIED**

RATING: Standard & Poor's "___"

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein: (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "TAX MATTERS" herein.

The Village will designate the Bonds as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

**\$1,650,000
VILLAGE OF BRIGHTWATERS
SUFFOLK COUNTY, NEW YORK
(the "Village")**

**\$1,650,000 PUBLIC IMPROVEMENT SERIAL BONDS – 2016 (the "Bonds")
[BOOK-ENTRY-ONLY-BONDS]**

Dated: Date of Issue

Principal Due: August 1, 2016 – August 1, 2025

Interest Due: August 1, 2016 and semi-annually thereafter on August 1 and February 1

Bond Maturity Schedule

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2016	\$165,000			2020	\$165,000			2023	\$165,000		
2017	165,000			2021	165,000			2024	165,000		
2018	165,000			2022	165,000			2025	165,000		
2019	165,000										

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

Interest on the Bonds will be payable August 1, 2016 and semi-annually thereafter on August 1 and February 1 in each year until maturity.

The Bonds will NOT be subject to redemption prior to maturity.

The Bonds will be issued as registered Bonds and, when issued, will be registered in the name of Cede and Co., as nominee of The Depository Trust Company (DTC), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal and interest will be paid by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to Beneficial Owners of the Bonds, as described herein. (See "DESCRIPTION OF THE BONDS - Book-Entry-Only System" herein.)

The Bonds are offered when, as and if issued and received by the Purchaser and subject to the receipt of the final approving legal opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 24, 2016.

THE VILLAGE DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THE VILLAGE WILL DELIVER AN UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE (AS DEFINED IN THE RULE) AS REQUIRED BY THE RULE (SEE "APPENDIX C - FORM OF DISCLOSURE UNDERTAKING") HEREIN.

VILLAGE OF BRIGHTWATERS

40 Seneca Drive
Brightwaters, New York 11718

VILLAGE OFFICIALS

Mayor
JOSEPH McDERMOTT

Deputy Mayor
DIANE URSO

Trustees
LAURIE ELLIOTT
CHRISTIAN SULLIVAN, PhD
BERNADETTE WHITWELL

Village Clerk-Treasurer
DONNA M. BARNETT

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New York, New York

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No person has been authorized by the Village to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made 444hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

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**OFFICIAL STATEMENT
of the
VILLAGE OF BRIGHTWATERS
SUFFOLK COUNTY, NEW YORK**

**Relating To
\$1,650,000 Public Improvement Serial Bonds - 2016**

This Official Statement, which includes the cover page and appendices hereto, has been prepared by the Village of Brightwaters, Suffolk County, New York (the “Village,” “County,” and “State,” respectively) in connection with the sale by the Village of \$1,650,000 Public Improvement Serial Bonds - 2016 (the “Bonds”).

DESCRIPTION OF THE BONDS

The Bonds are general obligations of the Village, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Village is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011, as amended. (See “TAX INFORMATION - Tax Levy Limit Law” herein)

Interest on the Bonds will be August 1, 2016 and semi-annually thereafter on August 1 and February 1. The “Record Date” for the Bonds will be the close of business on the fifteenth day of the month preceding each interest payment date.

The Bonds will NOT be subject to redemption prior to maturity.

The Bonds will be issued as registered Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Bonds. Principal and interest will be paid by the Village to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds as described herein. (See “DESCRIPTION OF THE BONDS - Book-Entry-Only System” herein.)

The paying agent for the Bonds will be the Village Treasurer of the Village of Brightwaters, 40 Seneca Drive, Brightwaters, NY 11718, email address: dbarnett@villageofbrightwaters.com.

Authorization and Purposes of Issue

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and two bond resolutions duly adopted by the Board of Trustees of the Village on November 2, 2015 for the following purposes:

<u>Purposes</u>	<u>Amount Authorized</u>	<u>Amount Issued to Date</u>	<u>Amount to Bonds</u>
Construction of road improvements in the Village	\$1,500,000	\$0	\$1,400,000
Acquisition of DPW equipment	<u>250,000</u>	<u>\$0</u>	<u>250,000</u>
Total	<u>\$1,750,000</u>	<u>\$0</u>	<u>\$1,650,000</u>

Nature of Obligation

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

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

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the Village 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 Village’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 INFORMATION - Tax Levy Limit Law” herein.)

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (referred to in this section as the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities 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”). DTC has a Standard & Poor’s rating of AA+, Stable Outlook. 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 purchases. 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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

Conveyance of notices and other communications by the 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.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed,

DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, and principal and interest payments on the Securities 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 issuer or its agent, 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 or the Village, 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 Village, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered. (See "DESCRIPTION OF THE BONDS - Certified Bonds" herein).

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village takes no responsibility for the accuracy thereof.

Source: The Depository Trust & Clearing Corporation

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

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Village and discharging its responsibilities with respect thereto under applicable law, or the Village 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, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank or trust company located and authorized to do business and act as a fiscal agent in the State of New York to be named by the Village.

Interest on the Bonds will remain payable on August 1, 2016 and semi-annually thereafter on August 1 and February 1, in each year to maturity. Interest will be payable by check drawn on, the fiscal agent and mailed to the registered owner on such interest payment date at the address as shown on the registration books of the fiscal agent as of the close of business on the fifteenth day of the month preceding each such interest payment date.

Certificated Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds in the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination executed by the Village Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal

agent shall not be obligated to make any such transfer exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

THE VILLAGE

General Information

The Village is located in the southwestern portion of Suffolk County, approximately 45 miles East of New York City. Encompassing a land area of one square mile, it is located wholly within the Town of Islip and borders the Great South Bay.

The Village is primarily residential in nature, with many residents commuting to work in New York City via the Long Island Railroad and commuting by car on Long Island. In addition, the Village has two small retail districts, which serve the needs of the local residential population.

The 2010 Census data for the Village shows a population of 3,103 reflecting a 10% decrease from 2010. The Town of Islip's population shows an increase of 4.3% for the same time period.

The residents and businesses in the Village receive their electric from PSEG Long Island and their natural gas from National Grid, which has a small operational support facility, that borders the Village. Water service is from the Suffolk County Water Authority and sewer service is provided by the Suffolk County Southwest Sewer District.

The Village is within the Bay Shore School District and the Bay Shore-Brightwaters Public Library District. Emergency services are provided by the Suffolk County Police Department and contracted coverage with the Bay Shore Fire Protection District and the Bay Shore-Brightwaters Rescue Ambulance Corps.

Municipal Services

The Village offers a full range of services including contracted refuse removal, snow plowing and salting services (Village employees and equipment), street lighting and traffic control, road maintenance, sanitary and storm sewer maintenance, building inspection and parks and recreational services. The Village also maintains and operates a public marina, located on the Great South Bay of Long Island. Each of the services is funded by real property taxes and other fees/revenues collected. Other services provided by the Village include code enforcement, zoning administration and planning and review. The Village maintains its own Justice Court to adjudicate violations of Village code as well as parking violations.

New Village Administration

A new Village administration consisting of a new mayor, Mayor McDermott (formerly a trustee) and four new trustees were elected in June 2014. The objectives of this newly elected Board are as follows: (1) focus the efforts of the Village towards financial stability through the adoption of enhanced management policies, including a fund balance policy, multi-year debt management plan, and a multi-year financial plan and (2) initiate cost savings measures such as competitive bidding for professional services, purchasing fuel through the Town on Islip contract, installing programmable thermostats in Village offices, and consolidating positions whenever possible.

Employees

The Village employs 10 full time employees and approximately 47 part time employees. The Teamsters Local 237 Union represents 8 employees under contract. The current contract expires May 31, 2016 and is currently in negotiation.

Population Trends

<u>Year</u>	<u>Village of Brightwaters</u>	<u>Suffolk County</u>	<u>New York State</u>
1970	3,808	1,127,030	18,241,366
1980	3,286	1,284,231	17,557,288
1990	3,265	1,321,864	17,990,445
2000	3,248	1,419,369	18,976,457
2010	3,103	1,493,350	19,378,102

Source: U.S. Department of Commerce, Bureau of the Census.

Comparative Housing, Income and Population Data

<u>Age Distribution</u>	<u>Village</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
Median Age	43.70	39.80	38.00	37.20
Person/Household	2.75	2.93	2.57	2.58
<u>Housing</u>				
% Owner Occupied Housing Units	92.20	78.70	53.30	65.10
Median Value Housing (\$)	586,800	390,800	296,500	179,900
Median Gross Rent (\$)	1,190	1,362	1,020	855
<u>Income:</u>				
Per Capita Income (\$)	48,393	35,411	30,011	26,059
Median Family Income	134,450	96,103	65,897	60,609
% Below Poverty Level	4.20	3.80	11.50	11.30

Source: 2010 Census of Population and Housing, U.S. Department of Commerce, Bureau of the Census and American Community Survey.

Selected Listing of Major Employers

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
World Gym	Fitness/Spa	65
Village of Brightwaters	Municipal	40
Hohwald Landscaping	Landscaping	45
National Grid	Utility	20

Source: Village Officials.

Form of Government

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

The Village Board of Trustees (the "Board"), is the legislative, appropriating, governing and policy determining body of the Village and consists of four trustees, elected at large to serve two-year terms, plus the Mayor, who serves a two-year term. The Mayor and each Trustee may serve an unlimited number of terms. Every two years the voters of the Village elect two Trustees and in the intervening election, the voters elect a Mayor and two Trustees. It is the responsibility of the

Board to enact legislation by resolution and by local law, after public hearing. Annual operating budgets for the Village must be approved by the Board. The original authorization of all Village indebtedness is subject to approval by the Board. (See “VILLAGE INDEBTEDNESS - Statutory Procedure” herein)

The Mayor is the chief executive officer of the Village and has the right to succeed him or herself. In addition, the Mayor is a full member of and the presiding officer of the Board. The Mayor has a number of appointment powers, some of which are subject to the approval of the Board.

The Board has elected to combine the position of Clerk-Treasurer. The Village Clerk-Treasurer is appointed by the Mayor, subject to the confirmation of the Board and serves at the pleasure of the Board. The Clerk-Treasurer’s responsibilities include custody of the corporate seal, books, records, and papers of the Village and all reports, communications and minutes of meetings of the Village boards and commissions. The Village Clerk-Treasurer is the chief fiscal officer and administrative officer of the Village responsible for maintaining Village accounting records, collection of taxes, personnel records, investment of Village funds, and debt management.

The Village Attorney is also appointed by the Mayor, subject to Board confirmation.

Budgetary Procedure

Under Village Law, the Mayor is the budget officer and is responsible for preparation of a tentative budget each year. A copy of the tentative budget is furnished to each member of the Board. The tentative budget must also be filed in the office of the Village Clerk-Treasurer.

Each year, the Village Clerk-Treasurer prepares and then presents the tentative budget to the Board. The Board reviews the tentative budget and makes such changes, alterations and revisions as it shall consider advisable and holds a public hearing thereon. Subsequent to the public hearing, revisions (if any) are made and the budget is then adopted by the Village as its final budget for the coming fiscal year. The budget is not subject to referendum, however increases in the annual tax levy are subject to the provisions of the Tax Levy Limit Law. (See “TAX INFORMATION - Tax Levy Limit Law” herein.)

State Aid

The Village’s general fund receives financial assistance from the State, see below:

Fiscal Year Ending May 31st:	Total Revenues	State Aid	State Aid to Revenues (%)
2011	\$3,177,449	\$285,350	8.98%
2012	2,709,556	184,417	6.81%
2013	2,732,494	148,180	5.42%
2014	2,667,390	217,990	8.17%
2015	2,608,917	86,520	3.32%

Source: Village Audits

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 Village, in any year, the Village 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. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the Village. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also “MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE” herein.)

Employee Pension Benefits

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System ("ERS"). The obligations of employers and employees to contribute and the benefits to employees are governed by the New York Retirement and Social Security Law ("NYSRSSL"). The system offers retirement 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 services, except for employees hired on or after January 1, 2010.

NYSRSSL provides that all participating employers in the ERS are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to participating employers. Participating employers are required to make 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. All full-time employees and certain part-time employees, participate in the retirement system. Since the Village joined the ERS after July 27, 1976, through and including December 31, 2009, each participating employee is required to contribute 3% of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary.

On December 12, 2009, a new Tier V was signed into law. The legislation creates a new Tier V pension level. Key components of the Tier include: (1) raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to 62, (2) requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits, (3) increasing the minimum years of service required to draw a pension from 5 years to 10 years, and (4) capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages. The foregoing provisions are applicable to employees hired on or after January 1, 2010.

On March 15, 2012, a new Tier VI was signed in to law. The legislation is effective for new ERS and PFRS employees hired on or after April 1, 2012. Among other provisions, the new Tier VI: (1) increases employee contribution rates from 3% to 6% (depending on the level of salary), (2) increases the retirement age from 62 years to 63 years, (3) readjusts the pension multiplier and (4) changes the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The Village is authorized 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 Village that municipalities can elect to make employer contribution payments in December of any year, prior to the scheduled payment date in the following February. If such payments are made in December prior to the scheduled payment date of February, such payments may be made at a discount amount.

Following the significant capital market declines in 2008 and 2009, 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 4.5% minimum contribution rate established by law. 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 law in the near-term. To mitigate the expected increases in the employer contribution rate, legislation has been enacted that permits local governments and school districts to borrow a portion of their required payments from the State pension plan at an interest rate of 5%. The legislation also requires those local governments and school districts, who decide to amortize their pension obligations pursuant to the law, to establish reserve accounts to fund payment increases that are a result of fluctuations in pension plan performance.

In 2013, a pension smoothing option was approved by the State Legislature that authorizes municipalities and school districts to amortize over seven years a portion of the pension cost spikes precipitated by the 2008 financial crash and high pension costs in general for employees across the State. The pension smoothing option, which was approved as part of the State's 2013-14 budget, authorizes municipalities and school districts to contribute 14.13% of employee costs toward pensions, rather than the 16.25% currently required, which is up from the current rate of 11.8%. The Village has not opted-in to such pension smoothing option.

ERS Contributions

The Village made the following contributions to the Retirement Systems:

Year Ending May 31st:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
ERS Contributions	\$71,624	\$102,840	\$115,083	\$99,277	\$87,590

The Village paid \$69,127 in December 2015, which represents its FY 2016 ERS contribution amount. The Village's FY 2016 budget includes \$92,685 for this purpose. The Village's FY 2017 budget includes \$71,000 for ERS payments. The Village has not amortized its retirement liability in prior years.

Other Post Employment Benefits

GASB Statement No. 45 ("GASB 45") 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 45 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 45 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.

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 employers) 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 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 liabilities actually be funded, only that the Village account for its unfunded accrued liability and compliance in meeting its ARC. The Village's plan has a total membership of fewer than 200 members. As such, according to GASB 45 regulations, the Village is required to perform an actuarial evaluation every 3 years.

The Village contracted with an actuarial firm to perform the required analysis. A summary of the results of the analysis appears in the Village's most recently available audited financial statements, attached as Appendix B.

Unemployment Rate Statistics

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

	<u>YEARLY AVERAGE</u>					
	2010	2011	2012	2013	2014	2015
	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>
Town of Islip	7.90%	7.80%	8.00%	6.70%	5.40%	n/a
Suffolk County	7.70%	7.60%	7.80%	6.50%	5.30%	n/a
New York State ⁽²⁾	8.60%	8.30%	8.50%	7.70%	6.30%	5.30%

2015 - 2016 MONTHLY FIGURES

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Town of Islip	5.70%	5.60%	5.10%	4.60%	4.70%	4.60%	5.20%	4.90%	4.70%	4.30%	4.20%	4.10% ⁽¹⁾	4.80%	4.80% ⁽¹⁾
Suffolk County	5.70%	5.60%	5.10%	4.60%	4.60%	4.60%	5.10%	4.70%	4.60%	4.30%	4.20%	4.20% ⁽¹⁾	4.80%	4.80% ⁽¹⁾
New York State ⁽²⁾	6.40%	6.30%	5.70%	5.30%	5.30%	5.20%	5.40%	5.00%	4.80%	4.70%	4.80%	4.70%	5.40%	5.40% ⁽¹⁾

⁽¹⁾ Preliminary

⁽²⁾ Years 2011 through 2015 reflects revised population controls and model re-estimation.

Source: US Department of Labor – Bureau of Labor and Statistics (Note: Figures not seasonally adjusted).

Other Information

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds are to be issued is the Village Law, the General Municipal Law and other applicable law.

Except to the extent shown in “Estimated Overlapping Indebtedness,” this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Village.

No principal or interest upon any obligation of the Village is past due.

The fiscal year of the Village is June 1 to May 31.

FINANCIAL INFORMATION

Financial Statements

The Village has retained independent certified public accountants to audit its financial affairs. The most recent audit covers the fiscal year ended May 31, 2015 and is included as a part of this Official Statement as Appendix B. In addition, the financial affairs of the Village are subject to periodic review by the State Comptroller.

The accounting policies of the Village conform to generally accepted accounting principles as they are applicable to governments. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A summary of Revenues, Expenditures and Fund Balance, Comparison of Budget and Actual Results and Balance Sheets for the Village is included as Appendix A.

Financial Impact of Hurricane Irene and Super Storm Sandy

Hurricane Irene impacted the coast of Long Island in late August, 2011, causing damage to Village property in the form of bulkhead destruction and tree debris. The costs associated with the hurricane were incurred in FY 2012 and fully reimbursed by FEMA and New York State in FY 2012 and FY 2013. Village operations remained functional throughout and after the storm.

On October 29, 2012, Super Storm Sandy impacted the South coast of Long Island, including Brightwaters, bringing a record high storm surge causing damage to the waterfront areas of the Village and extensive debris removal. The Village has an outstanding claim with FEMA in the amount of \$54,000, which it expects to be in receipt of by the end of FY 2016. Most of the reimbursements in the amount of \$158,847, were received from FEMA and the State in FY 2013 and covered the costs of the repairs and personnel associated with the cleanup efforts. Village operations remained functional throughout and after the storm.

New York State Comptroller's Office Fiscal Stress Designation

The Village has been designated by the Office of the New York State Comptroller as having "No Designation," having been assigned a fiscal score of 9.6%, based on its "Fiscal Stress Monitoring System 2015 List and Details," dated February 25, 2016. The Village was assigned a fiscal score of 15.8% - "No Designation" in 2014 and 50.8% - "Susceptible Fiscal Stress" in 2013. (See "OFFICE OF THE NEW YORK STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM," herein).

Village Fund Balance Policy

On July 6, 2015 the Village adopted the following *Minimum Unassigned Fund Balance* policy for its General Fund:

"It is the goal of the Village to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 6% and not more than 20% of budgeted expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the Village shall develop a restoration plan to achieve and maintain the minimum fund balance. Should unassigned fund balance of the general fund ever exceed the maximum (20%) range, the Village will consider such fund balance surpluses for one-time expenditures that are non-recurring in nature and which will not require additional expense outlays for maintenance, additional staffing or other recurring expenditures."

Prior Years Deficits

The fund balance deficits in fiscal years ending 2011 and 2013 are attributable to the timing of when funds were expended and when reimbursement funds were received for larger capital projects (road repavement) in the Village, as reimbursements were not received until the fiscal year following when the projects were completed.

Village Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village 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 Village is permitted to invest only in the following investments: (1) special time deposits in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the Village; (6) obligations of New York public benefit corporations which are made lawful investments for the Village pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and (8) in the case of Village moneys held in certain reserve funds established pursuant to law, obligations issued by the Village. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities, that term is defined in the law.

All of the foregoing instruments and 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 instruments and investments 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 Village, 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 in Section 10 of the GML.

The Village has adopted an investment policy which states that the Village will comply with the requirements of New York State statutes, as stated above, concerning the investment of Village monies.

TAX INFORMATION

Real Property Taxes

The Village derives a major portion of its revenues from a tax on real property. (See “Revenues, Expenditures and Balances” in Appendix A, herein)

On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Village, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Village. (See “TAX INFORMATION - Tax Levy Limit Law,” herein)

Valuations

Year Ending May 31st:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuation	\$61,487,813	\$61,518,216	\$61,289,750	\$61,360,147	\$61,427,951
State Equalization Rate	11.21%	11.53%	12.37%	13.04%	12.87%
Full Valuation	\$548,508,591	\$533,549,141	\$495,470,897	\$470,553,275	\$477,295,657

Source: NYS Comptroller’s Office and NYS Office of Real Property Management

Tax Certiorari Matters

The Village does not budget for tax certiorari claims as settlements in the past have been minimal. Currently, there are 20 properties with pending tax certiorari cases with a total exposure of less than \$10,000. Settlements are generally made only if the property owner(s) has had a successful settlement with the Town of Islip.

Tax Rate per \$1000 (Assessed)

Year Ending May 31st:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tax Rate	\$22.50	\$22.50	\$24.19	\$26.00	\$26.00	\$26.56

Source: New York State Comptroller’s Office and Village of Brightwaters

Constitutional Taxing Power

(See also “TAX INFORMATION - Tax Levy Limit Law” herein.)

Fiscal Year Ending May 31:	<u>2015</u>	<u>2016</u>
Five Year Average Full Valuation	\$534,278,951	\$534,278,951
Tax Limit (2%)	10,685,579	10,685,579
Add: Total Exclusions	<u>0</u>	<u>0</u>
Total Taxing Power	10,685,579	10,685,579
Less Tax Levy	<u>1,595,625</u>	<u>1,597,127</u>
Tax Margin	<u>\$9,089,954</u>	<u>\$9,088,452</u>
Percent of Tax Limit Exhausted	<u>14.93%</u>	<u>14.95%</u>

Source: New York State Comptroller’s Office and Village of Brightwaters

Tax Collection Procedure

The Village collects its own taxes. Property taxes are collected annually during the month of June. A 5% penalty is added after July 1. There is an additional penalty of 1% per month effective August 1. This additional penalty is adjusted each year by the New York State Commissioner of Taxation and Finance in accordance with Section 924-a of the Real Property Tax Law. Such penalty shall in no event be less than one per centum per month.

Real Estate Taxes and Tax Collection Record

Year Ended May 31st:	2011	2012	2013	2014	2015	2016 as of 4/13/16
Levy and Tax Collections:						
Taxes on Roll	\$1,382,647	\$1,383,303	\$1,383,987	\$1,482,563	\$1,594,700	\$1,597,126
Less Collections						
Current Years Taxes	1,380,259	1,369,248	1,373,639	1,469,548	1,590,351	1,589,222
Prior Year's Taxes/Liens	4,606	1,053	6,670	11,932	934	10,175
Total Collections	<u>\$1,384,865</u>	<u>\$1,370,301</u>	<u>\$1,380,309</u>	<u>\$1,481,480</u>	<u>\$1,591,285</u>	<u>\$1,599,397</u>
% Collected Current Year Taxes	<u>99.83%</u>	<u>98.98%</u>	<u>99.25%</u>	<u>99.12%</u>	<u>99.73%</u>	<u>99.51%</u>
% Collected Total	<u>100.16%</u>	<u>99.06%</u>	<u>99.73%</u>	<u>99.93%</u>	<u>99.79%</u>	<u>100.14%</u>

Source: Village of Brightwaters

Larger Taxpayers

Name	Type	FY 2016 Assessed Valuation
BRIGHTWATERS RACQUET & SPA INC	Health Club	\$630,000
KEYSPAN GAS EAST CORP/C/O NATIONAL GRID	Utility	358,319
LI POWER AUTHORITY/00000 SPECIAL FRANCHISE	Utility	278,540
KEYSPAN GAS EAST CO RP/NATIONAL GRID PROPERTY TAX	Utility	263,200
JENFRANVIC LLC/ATTN: JOHN MILONE	Medical Office	240,000
NK ENTERPRISES/WESLEY Y CHUNG, CPA	Retail shops	212,200
BREWER KERRIANN	Residential	171,000
160 HOWELLS RD., LLC	Office building	165,500
ALDRICH MANAGEMENT CO., LLC	Retail shops	165,000
HICKEY WILLIAM F & MARGARET	Residential	<u>154,000</u>
		<u>\$2,637,759</u>

Source: Village of Brightwaters

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, Chapter 97, as amended (the "Tax Levy Limit Law") imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Village. As a result,

the power of the Village to levy real estate taxes on all the taxable real property within the Village is subject to statutory limitations set forth in Tax Levy Limit Law, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes.

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 Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village 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 Village 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 Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The governing board of the Village may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Village first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, 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 Village 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.

VILLAGE INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, the Village shall not give or loan any money or property to or aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village 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 within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute and unless substantially level or declining debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds or such required annual installments on its notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the five-year average full

valuation of taxable real property of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method of determining full valuation is by taking the assessed valuation of taxable real property as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

General. The Village 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 Village so as to prevent abuses in taxation and assessments and in contracting indebtedness; 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 Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village 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 Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness, including bonds and bond anticipation notes issued in anticipation of such bonds, by the adoption of a resolution, approved by at least two-thirds of the members of the Village Board, the finance board of the Village. Certain such resolutions may be subject to permissive referendum, or may be submitted to the Village voters at the discretion of the Village Board, in which case the required vote of the Board is three-fifths.

The Local Finance Law also provides for a twenty-day statute of limitations after publication of a bond resolution, together with a statutory notice which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village is in compliance with such estoppel procedure with respect to the bond resolution(s) adopted in connection with the issuance of the Bonds.

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, 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 notes were originally issued. (See “Payment and Maturity” under “VILLAGE INDEBTEDNESS - Constitutional Requirements”).

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

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

Debt Outstanding End of Fiscal Year

As of May 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Bonds	\$0	\$0	\$0	\$0	\$0	\$0
Bond Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Source: Village Audits

Computation of Debt Limit

Fiscal Year Ending <u>May 31st:</u>	Assessed Valuation of Taxable <u>Real Estate</u>	State Equalization <u>Rate</u>	Full Valuation of Taxable <u>Real Estate</u>
2016	\$61,427,951	12.87%	\$477,295,657
2015	61,360,147	13.04%	470,553,275
2014	61,289,750	12.37%	495,470,897
2013	61,518,216	11.53%	533,549,141
2012	61,487,813	11.21%	<u>548,508,591</u>
Total five year valuation			2,525,377,561
Five year average full valuation			505,075,512
Debt Limit - 7% of average five year full valuation			<u>\$35,355,285</u>

Source: NYS Comptroller's Office and NYS Office of Real Property Management

Debt Statement Summary

Summary of Debt Limit, Total New Indebtedness and Net Debt-Contracting Margin as of April 16, 2016:

Debt Contracting Limitation:	\$35,355,285
Gross Direct Indebtedness:	
Bonds:	0
Bond Anticipation Notes:	<u>0</u>
Total Gross Direct Indebtedness	0
Less Exclusions:	
Appropriations:	<u>0</u>
Total Exclusions:	0
Total Net Direct Indebtedness	<u>\$0</u>
Debt Contracting Margin	<u>\$35,355,285</u>
Percent of Debt-Contracting Power Exhausted	<u>0.00%</u>

The issuance of the Bonds will increase the Total Net Direct Indebtedness of the Village by \$1,650,000 and exhaust 4.66% of its debt contracting power.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Village as of April 16, 2016:

	<u>Maturity</u>	<u>Amount</u>
Bonds	n/a	\$0
Bond Anticipation Notes		<u>0</u>
Total Debt Outstanding		<u>\$0</u>

Source: Village of Brightwaters

Capital Project Plans

After the issuance of the Bonds, the Village will have the following authorized and unissued debt.

<u>Purposes</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>Issued</u>
Replacement and reconstruction of canal bulkheading	November 2, 2015	\$1,600,000	\$0 ⁽¹⁾
Construction of road improvements in the Village	November 2, 2015	<u>1,500,000</u>	<u>1,400,000</u> ⁽²⁾
Total		<u>\$3,100,000</u>	<u>\$1,400,000</u>

⁽¹⁾ The Village expects to be issuing debt under this authorization in FY 2017

⁽²⁾ To be issued as the Bonds

Estimated Overlapping Indebtedness

In addition to the Village, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Village.

<u>Unit</u>	<u>Date of Report</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> ¹	<u>Net Indebtedness</u>	<u>% Within Village</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	3/17/16	\$2,241,734,231	\$869,337,534	\$1,372,396,697	0.18%	\$2,470,314
Town of Islip	3/2/16	142,875,000	11,735,000	131,140,000	1.38%	1,809,732
Bay Shore, UFSD	9/16/15	58,800,000	0	58,800,000	12.84%	<u>7,549,920</u>
					Total	<u>\$11,829,966</u>

¹ Pursuant to applicable constitutional and statutory provisions this indebtedness is deductible from gross indebtedness for debt limit purposes.

Source: Annual Reports of the respective units for the most recently available fiscal year from the office of the NYS Comptroller or more recently published Official Statements.

Bonded Debt Service

The Village has no outstanding bonded debt.

REMEDIES UPON DEFAULT

Under current law, provision is made for contract creditors (including the Bondholders) of the Village to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to 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, although judicial mandates to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy have been issued.

Remedies for enforcement of payment are not expressly included in the Village's contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Bondholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

The State has consented 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. Subject to such consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially

approved adjustment of debts, including judicial control over identifiable and unidentifiable creditors.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events, including financial crises as they may occur in the State and in municipalities of the State, require the exercise by the State of its emergency police powers to assure the continuation of essential services.

No principal or interest payments on Village indebtedness are past due. The Village has never defaulted in the payment of the principal of and interest on any indebtedness.

LITIGATION

The Village is subject to a number of lawsuits in the ordinary conduct of its affairs. The Village does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Village. From time to time the Village has had several tax certiorari claims for refunds of prior year's property taxes. Currently, there are 20 properties with pending tax certiorari cases with a total exposure of less than \$10,000. Settlements are generally made only if the property owner(s) has had a successful settlement with the Town of Islip. (See "TAX INFORMATION - Tax Certiorari Matters" herein.)

OFFICE OF THE NEW YORK 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, objective and quantifiable information to municipal and school district officials and the general public regarding the various levels of fiscal stress, under which the State's municipalities and school districts are operating.

The fiscal stress scores are calculated using financial data that is filed in annual update documents (AUDs) by each local government and in annual financial reports (ST-3s) for each school district. Using financial indicators that include year-end fund balances, cash positions, patterns of operating deficits and types of debt issuance, the system creates an overall fiscal stress score. The maximum fiscal stress score which can be assigned is 100%. Classifications are based on the following scores between: 100% to 65% - "significant fiscal stress," 64.9% to 55% - "moderate fiscal stress," 54.9% to 45% - "susceptible fiscal stress," and 44.9% to 0% - "no designation." A "no designation" 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, does not generate sufficient points to place them in one of the three established stress categories.

A copy of the "Fiscal Stress Monitoring System Report" is available on the website of the Office of the New York

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

There are various forms of risk associated with investing in the Bonds. Although none of such conditions currently exist with respect to the Village or the Bonds, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the Village will be unable to promptly pay interest and principal on the Bonds as they become due (see "REMEDIES UPON DEFAULT" herein). If a Bondholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the Village as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Village's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality 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. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Village to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

There are a number of factors which could have a detrimental effect on the ability of the Village to continue to generate revenues, particularly its property taxes. For instance, an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the Village. Unforeseen developments could also result in substantial increases in Village expenditures, thus placing considerable strain on the Village's financial condition.

A deterioration of Village finances could cause the credit rating of the Village to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by the rating agencies which rate the Village. Any of such actions on the part of said rating agencies could have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. In addition, the price and principal value of the Bonds is generally dependent on the prevailing level of interest rates; if interest rates rise, the price of a Bond is likely to decline, causing the Bondholder to potentially incur a capital loss if such Bond is sold prior to its maturity.

Amendments to the Internal Revenue Code of 1986, as amended, could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Village. Any such future legislation could have an adverse effect on the market value of the Bonds. (See "TAX MATTERS" herein).

The financial condition of the Village is dependent in part on financial assistance from the State in the form of State Aid that has been and is expected to be received from the State in the future. However, the State is not constitutionally obligated to maintain or continue State aid to municipalities and school districts in the state, including the Village and, as a result, no assurance can be given that present State aid levels will be maintained in the future, particularly if the State should experience financial difficulty of its own. In some recent years, the Village's receipt of State aid was delayed as a result of the State's delay in adopting its budget and appropriating State aid to municipalities and school districts and other circumstances, including State fiscal stress. Should the Village 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 or by a cut in State aid, the Village may be adversely affected by such a delay. However, if the Village anticipates not receiving payment of such State aid as needed, it is authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State aid. There can be no assurance that in such event, the Village will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State aid would likely have a materially adverse effect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "THE VILLAGE - State Aid" herein).

TAX MATTERS

Opinion of Bond Counsel

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

the Village with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Bond Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, budgets proposed by the Obama Administration from time to time recommended a 28% limitation on all itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond.

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

BOND RATING

The Village has applied to Standard and Poor’s (“S&P”) for a credit rating on the Bonds. Such rating is pending at this time.

The rating will reflect only the view of such rating agency. There can be no assurance that such rating will not be changed or withdrawn if, in the judgment of such rating agency, circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Bonds or the availability of a secondary market for the Bonds.

An explanation of the significance of such rating, should be obtained from the relevant rating agency, Standard & Poor's, 55 Water Street, New York, New York 10041 (212) 438-2066.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Bonds, the Village will provide an executed copy of its "Undertaking to Provide Limited Disclosure" substantially as set forth in APPENDIX C, herein.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Village shall furnish a certificate of the Village Attorney, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds, and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the Village wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Village or adversely affect the power of the Village to levy, collect and enforce the collection of taxes or other revenues for the payment of its Bonds, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Bonds, which will be available at the time of delivery of the Bonds. Such opinion will be to the effect that the Bonds are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to the limitations imposed by the Tax Levy Limit Law. The opinion shall also discuss the treatment of interest on the Bonds under applicable tax laws, as further described in the section entitled "Tax Matters" and shall contain further statements to the effect that (a) the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm gives no assurances as to the adequacy, sufficiency or completeness of the Official Statement of the Village relating to the Bonds, or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Bonds which have been or may be furnished or disclosed to purchasers of the Bonds.

Closing Certificates

Upon the delivery of the Bonds, the Purchaser will be furnished with the following items: (i) a Certificate of the Village Treasurer to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the Village since the date of this Official Statement to the date of issuance of the Bonds; and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by the Village Treasurer evidencing payment for the Bonds; (iii) a Signature Certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending or threatened, restraining or enjoining the issuance and delivery of the Bonds or the levy and collection of taxes to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Bonds were authorized or affecting the validity of the Bonds thereunder, (b) neither the corporate existence or boundaries of the Village nor the title of the signers to their respective offices is being contested, (c) no authority or proceedings for the

issuance of the Bonds have been repealed, revoked or rescinded; and (iv) a Tax Certificate executed by the Village Treasurer, as described under "TAX MATTERS" herein.

FINANCIAL ADVISOR

Liberty Capital Services, LLC, Garden City, New York (the "Financial Advisor") has served as the independent Financial Advisor to the Village in connection with this transaction.

The Financial Advisor is a financial advisory and consulting firm and is not engaged in the business of public accounting, underwriting, marketing or trading of municipal securities or any other negotiated financial instrument(s) and therefore will not participate in the underwriting of the Bonds. The Financial Advisor has not been engaged nor has audited, authenticated or otherwise verified the information provided by the Village, information available to the Village or other information from independent sources believed to be reliable and available to the Village and set forth in this Official Statement. No guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of information or any other matter related to such information and this Official Statement.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any other statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered by the Village Treasurer of the Village of Brightwaters. Additional information may be obtained from the office of the Village Treasurer (516) 334-1700 or Liberty Capital Services, LLC (516) 877-0797, the Village's financial advisor.

**Dated: Brightwaters, New York
April 27, 2016**

**/s/Donna M. Barnett
Village Treasurer**

**Village of Brightwaters
Revenues, Expenditures and Fund Balances
General Fund**

APPENDIX A

Year Ended May 31:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>REVENUES</u>					
Real Property Taxes	\$1,380,258	\$1,386,318	\$1,375,024	\$1,461,107	\$1,604,222
Real Property Tax Items	7,432	4,183	17,668	8,202	15,138
Non-Property Tax Items	118,364	116,634	115,536	126,125	127,714
Departmental Income	829,753	793,726	781,870	782,000	700,326
Use of Money and Property	5,921	4,821	5,045	4,951	4,895
Licenses and Permits	3,170	2,780	2,600	4,005	4,790
Fines and Forfeitures	23,607	26,397	26,935	14,130	22,011
Sale of Property and Compensation for Loss	442,226	98,644	10,044	3,967	7,938
State Sources	285,350	184,417	148,180	217,990	86,520
Federal Sources	48,613	63,616	223,227	6,637	2,287
Other	<u>32,755</u>	<u>28,020</u>	<u>26,365</u>	<u>38,276</u>	<u>33,076</u>
Total Revenues	<u>3,177,449</u>	<u>2,709,556</u>	<u>2,732,494</u>	<u>2,667,390</u>	<u>2,608,917</u>
<u>EXPENDITURES</u>					
General Government Support	571,946	521,938	807,801	789,255	771,538
Public Safety	438,944	458,140	432,478	435,395	465,378
Health	60,522	590	78,736	57,525	60,440
Transportation	495,690	200,561	143,202	165,646	132,146
Economic Assistance and Opportunity	32,453	25,819	26,784	26,930	23,014
Culture & Recreation	318,564	409,523	52,977	52,411	156,107
Home & Community Services	551,695	594,147	596,696	517,684	444,405
Employee Benefits	387,115	394,709	399,519	371,918	353,992
Capital Outlay	<u>9,683</u>	<u>2,857</u>	<u>268,599</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>2,866,612</u>	<u>2,608,284</u>	<u>2,806,792</u>	<u>2,416,764</u>	<u>2,407,020</u>
Excess of Revenues over (under) Expenditures	310,837	101,272	(74,298)	250,626	201,897
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	310,837	101,272	(74,298)	250,626	201,897
Fund Balance Beginning of Year	<u>(395,104)</u>	<u>(84,267)</u>	<u>17,005</u>	<u>(57,293)</u>	<u>193,333</u>
Fund Balance End of Year	<u>(\$84,267)</u>	<u>\$17,005</u>	<u>(\$57,293)</u>	<u>\$193,333</u>	<u>\$395,230</u>

Source: Audited financial statements of the Village of Brightwaters. Summary itself not audited.

Village of Brightwaters
Comparison of Budget and Actual Results
General Fund

APPENDIX A-1

(Most Recently Available Completed Fiscal Year and Current Budget)

Year Ended May 31:	2015		2016	2017
	Adopted Budget	Actual	Adopted Budget	Adopted Budget
REVENUES				
Real Property Taxes	\$1,595,625	\$1,604,222	\$1,595,273	\$1,638,629
Real Property Tax Items	11,400	15,138	14,250	8,000
Non-Property Tax Items	128,000	127,714	125,000	130,000
Departmental Income	685,449	700,326	647,650	447,659
Intergovernmental Charges	0	0	0	0
Use of Money and Property	6,500	4,895	6,450	7,100
Licenses and Permits	4,000	4,790	4,500	7,000
Fines and Forfeitures	22,000	22,011	18,000	30,000
Insurance Recoveries and Minor Sales	2,000	7,938	1,300	1,000
State Sources	291,795	86,520	96,989	147,989
Federal Sources	0	2,287	0	0
Other	<u>15,000</u>	<u>33,076</u>	<u>23,500</u>	<u>25,500</u>
Total Revenues	<u>2,761,769</u>	<u>2,608,917</u>	<u>2,532,912</u>	<u>2,442,877</u>
Appropriated Fund Balance			<u>0</u>	<u>0</u>
Total Revenues and Appropriated Fund Balanc	<u>2,761,769</u>	<u>2,608,917</u>	<u>2,532,912</u>	<u>2,442,877</u>
EXPENDITURES				
General Governmental Support	750,516	771,538	785,321	766,863
Public Safety	428,622	465,378	450,069	459,361
Health	61,060	60,440	60,000	75,000
Transportation	590,975	132,146	97,987	99,013
Economic Assistance and Opportunity	12,500	23,014	66,580	69,500
Culture & Recreation	50,725	156,107	66,120	64,650
Home & Community Service	469,971	444,405	487,900	398,990
Employee Benefits	397,400	353,992	388,935	396,550
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>193,750</u>
Total Expenditures	<u>2,761,769</u>	<u>2,407,020</u>	<u>2,402,912</u>	<u>2,523,677</u>
Excess of Revenues Over (under) Expenditure	0	201,897	130,000	(80,800)
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	<u>80,800</u>
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(130,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(130,000)</u>	<u>80,800</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$0</u>	<u>\$201,897</u>	<u>\$0</u>	<u>\$0</u>

Source: Audited financial statements of the Village of Brightwaters. Summary itself not audited.

Village of Brightwaters
Balance Sheets
General Fund

APPENDIX A-2

As of May 31:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$46,091	\$60,643	\$37,021	\$23,851	\$376,455
Investments at Cost/CLASS Investment Account	76,831	71,913	159,083	289,309	314,640
Taxes Receivable	17,866	30,818	20,491	23,634	17,000
Accounts Receivable	348	5,412	0	9,687	1,950
Sanitation Fees Receivables	6,628	11,726	7,137	0	0
State and Federal Receivables		97,928	199,892	107,444	122,612
Due from Other Governments	16,856	10,664	13,440	0	0
Due from Other Funds	3,493	0	0	1,174	0
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>6,191</u>
TOTAL ASSETS	<u>168,113</u>	<u>289,104</u>	<u>437,064</u>	<u>460,099</u>	<u>838,848</u>
 <u>LIABILITIES AND DEFERRED INFLOWS</u>					
Accounts Payable and Accrued Expenses	224,849	179,769	375,306	122,263	188,975
Unearned Revenues	0	0	0	11,850	0
Due To Other Governments	0	0	0	0	337
Due to Other Funds	0	920	1,007	0	0
Compensated Absence	0	0	0	0	0
Deferred Revenues	<u>27,531</u>	<u>91,410</u>	<u>118,044</u>	<u>132,653</u>	<u>254,306</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>252,380</u>	<u>272,099</u>	<u>494,357</u>	<u>266,766</u>	<u>443,618</u>
 <u>FUND EQUITY</u>					
Fund Balances:					
Non-spendable				5,000	6,191
Restricted				0	0
Assigned				0	0
Unassigned	(84,267)	17,005	(57,293)	<u>188,333</u>	<u>389,039</u>
Reserved Fund Balance	0	0	0		
Fund Balance Designated for Subsequent Years Expenditures	0	0	0		
Undesignated Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>		
TOTAL FUND EQUITY (DEFICIT)	<u>(84,267)</u>	<u>17,005</u>	<u>(57,293)</u>	<u>193,333</u>	<u>395,230</u>
 TOTAL LIABILITIES, DEFERRED REVENUE AND FUND EQUITY	 <u>\$168,113</u>	 <u>\$289,104</u>	 <u>\$437,064</u>	 <u>\$460,099</u>	 <u>\$838,848</u>

Source: Audited financial statements of the Village of Brightwaters Summary itself not audited.

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INCORPORATED VILLAGE OF BRIGHTWATERS
BRIGHTWATERS, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2015

“Such Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Required Supplementary Information were prepared as of the date thereof and have not been reviewed and/or updated in conjunction with the preparation and dissemination of this Official Statement.”

INCORPORATED VILLAGE OF BRIGHTWATERS

BRIGHTWATERS, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2015

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SKINNON and FABER

Certified Public Accountants, P.C.

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Trustees
Incorporated Village of Brightwaters
Brightwaters, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Brightwaters as of and for the year ended May 31, 2015, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Incorporated Village of Brightwaters management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



America Counts on CPAs

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Brightwaters, as of May 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and funding progress for the retiree health plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Skinnon and Faber, CPAs, P.C.

Skinnon and Faber, CPA's, P.C.

July 16, 2015

INCORPORATED VILLAGE OF BRIGHTWATERS

Management's Discussion and Analysis (Unaudited)

The Board of Trustees of the Incorporated Village of Brightwaters (the Village), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with a comparison of the Village's General Fund budget for the year, as well as the schedule of funding progress for the retiree health plan.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position

The Village's total net position increased by \$28,760 for the fiscal year ended May 31, 2015, resulting in an improvement to the overall financial position of the Village. A condensed summary of the Village's Statement of Net Position for the current year is detailed below.

Condensed Statement of Net Position – Governmental Activities

	<u>May 31, 2015</u>	<u>May 31, 2014</u>
Assets		
Current and Other Assets	\$ 845,778	\$ 466,417
Capital Assets (net)	<u>2,261,453</u>	<u>2,320,194</u>
Total Assets	<u>3,107,231</u>	<u>2,786,611</u>
Liabilities		
Liabilities	213,238	151,487
Long-Term Liabilities	<u>918,395</u>	<u>811,795</u>
Total Liabilities	<u>1,131,633</u>	<u>963,282</u>
Deferred Inflows of Resources		
Taxes Collected in Advance	110,709	-
Sanitation Fees Collected in Advance	<u>12,800</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>123,509</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	2,261,453	2,320,194
Unrestricted (deficit)	<u>(409,364)</u>	<u>(496,865)</u>
Total Net Position	<u>\$ 1,852,089</u>	<u>\$ 1,823,329</u>

Net investment in capital assets is the Village's investment in capital assets, such as infrastructure, building and improvements, equipment and trucks, vehicles, and computers, reduced by accumulated depreciation and associated debt. This figure also includes land, which is not depreciated.

Changes in Net Position

The Statement of Activities reports the results of the current year's operations and the effect on Net Position in the accompanying financial statements. A summary of changes in Net Position from operating results is shown below.

Changes in Net Position from Operating Results – Governmental Activities

	For the Years Ended	
	May 31, 2015	May 31, 2014
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 723,367	\$ 807,273
Operating Grants and Contributions	18,698	6,637
Capital Grants and Contributions	-	143,174
General Revenues:		
Property Tax Items	1,612,664	1,487,381
Non Property Tax Items	127,714	126,125
Other	116,018	122,010
Total Revenues	<u>2,598,461</u>	<u>2,692,600</u>
Expenses		
Governmental Activities:		
General Government Support	1,071,671	1,124,568
Public Safety	545,667	561,160
Health	60,440	57,525
Transportation	232,563	289,450
Economic Opportunity and Development	23,014	26,930
Culture and Recreation	191,729	91,642
Home and Community Services	444,617	517,896
Total Expenses	<u>2,569,701</u>	<u>2,669,171</u>
Change in Net Position	28,760	23,429
Beginning Net Position	<u>1,823,329</u>	<u>1,799,900</u>
Ending Net Position	<u>\$ 1,852,089</u>	<u>\$ 1,823,329</u>

ANALYSIS OF POSITION AND RESULTS OF OPERATION

The administration of the Village of Brightwaters changed completely for the Fiscal Year ending May 31, 2015. The June 2014 election resulted in a new Mayor, two new trustees, a resignation of one trustee and a vacant trustee position which the new Mayor had held. The budget that was adopted on May 1, 2014, had input from only one member of the new Board. There was no documentation as to the methodology used to prepare the budget and therefore required numerous modifications throughout the fiscal year to amend budget figures to reflect actual expenses.

The infrastructure situation in the Village was evaluated. Some roads are in need of repair, as is the canal bulkhead. Village buildings require additional maintenance and the equipment used by both the office staff and the Department of Public Works required updating. The administration set out to repair and replace what was feasible in a short time period. A comprehensive Capital Plan was formulated and adopted with the 2015-16 Budget.

A historic rain event occurred on Long Island in August 2014 resulting in a partial collapse of bulkhead in the canal. Funds were re-appropriated from road paving to canal repair in the amount of \$80,000 to cover the repairs. One of the code enforcement vehicles was determined to no longer be road worthy was removed from service, and replaced by a hybrid vehicle at a cost of \$30,000. This also resulted in a budget modification. The department of public works break room, housed in an old horse stable, had been repaired throughout the years. A detailed inspection determined that it was not habitable and was to be razed. This was also an unbudgeted expense.

Several members of the Board participated in the NYS Department of Homeland Security's New York Rising Community Revitalization program. A committee of community leaders, districts, business leaders and professional consultants met throughout the year to determine how to make the West Bay Shore/Brightwaters community more resilient after the effects of Superstorm Sandy. The result of the committee meetings was a grant for the Village for an emergency generator for Village Hall. This will allow the Village to operate during the time of an emergency to provide assistance to the residents. Installation is expected in fiscal year 2015-16.

The Mayor formed a Downtown Revitalization committee comprised of board members from the various Village boards, residents and business owners. The Committee has received notification that a grant that was applied for has been approved. The Village will receive the grant in the amount of \$38,000 during the 2015-16 fiscal year from the Suffolk County Revitalization Committee; it will be used for installation of decorative street lights, trees and paver sidewalks in the "four corners" business district located at the corner of North Windsor Avenue and Orinoco Drive.

The Village adopted a Procurement Policy during the year. By outlining the procedures for purchasing, including competitive bidding, requests for proposals, inclusion of the ability to use a "piggyback" contract (utilizing authorized contracts of other

municipalities to generate efficiencies and cost savings) and payment of invoices, the Village will start to experience additional cost savings as well as proving a better method of controlling expenditures.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund had a surplus of \$201,897, bringing the ending fund balance to \$395,230. Of this amount, \$389,039 is unassigned. The remaining \$6,191 of fund balance is considered nonspendable, as it relates to prepaid items.

BUDGETARY ANALYSIS

The following variances exist between the original adopted budget and actual results for the year ended May 31, 2015:

Revenues:

- Building Department Revenue: \$34,385. This represents a 300% increase over two years in Building Department revenue. The Village hired a new building inspector in July 2014 who was able to process permits and inspections quickly and efficiently.
- Boat Slip rentals: \$153,405. The revenue from slip rental remained steady when compared to last year. However, revenue is significantly less than what was recorded in 2008 and years prior. Research is being done to determine how to increase this revenue line.
- Sanitation fees: \$464,486. The budgeted charges for sanitation fees were significantly higher than the actual expense (\$379,831). For the fiscal year 2015-16, the charges were budgeted to reflect 110% of the actual contractual charges.
- CHIPS and State Aid: \$12,231. Budgeted \$222,000. State aid in the amount of a \$100,000 grant for road paving was not received in the fiscal year. No additional road paving was undertaken either, resulting in a reimbursement request for NYS DOT CHIPS money of \$12,230 for part of the expenditure to repair the canal. This was eligible under the Extreme Winter recovery funds.

Expenditures:

- Auditor fees: \$12,092. Budgeted \$46,000. In the past, audit fees ran in excess of \$30,000. A request for proposal was distributed and a new auditing firm was selected at a cost of \$12,000.
- Village Clerk - Personal Services: \$130,639. Budgeted \$122,000. The long-time Village Clerk retired in September 2014, resulting in a payout of accrued vacation time.

- Clerk - General Contractual: \$4,678. Budgeted \$0. The Village hired a grant writer for a one-time fee of \$3,600 to assist in the application for a New York State Archive grant to digitize the Village documents, particularly in the Building Department. The expenses also included on-line bidding memberships and appraisal fees.
- Litigation: \$8,600. Budgeted \$44,000. Litigation costs were kept to a minimum.
- Central Garage – Equipment: \$20,325. Budgeted \$0. The Village had the opportunity to purchase a used DPW truck from the Village of Plandome to replace a vehicle that was no longer cost effective to operate.
- DPW Structures Repair and Maintenance: \$10,839. Budgeted \$560. The DPW break room was determined to be unsafe and was demolished. The expenses included the removal of the debris as well as relocating the electric lines to service the temporary trailer. A new DPW building is currently being designed.
- Central Data Processing - \$11,452. Budgeted \$1,100. The Village did not have a file server for many years, which prohibited the staff from sharing files, databases and programs. The hardware was purchased through government contracts and an RFP was issued for the installation.
- Code Enforcement Equipment: \$29,242. Budgeted \$0. The Ford Expedition used as a code car was taken off the road due to costly repairs. It was replaced by a hybrid vehicle which should provide future cost savings.
- Road Paving: \$0. Budgeted \$450,000. No road paving was done in this fiscal year primarily because a study was undertaken to determine a priority for paving. Also, \$80,000 of this line was allocated to the emergency repairs on the canal. The plan to pave Richland Boulevard was stalled due to the DOT holding the contract in Albany (\$100,000 grant). For the fiscal year 2015-16, a more aggressive road paving plan has been put into place utilizing \$170,000 that was not spent in this fiscal year.
- Canal Repairs: \$91,194. Budget \$2,500. Emergency repairs to a section of bulkhead contributed to the expenses as well as other required repairs.
- Garbage Collection: \$379,831. Budgeted \$400,000. The cost as per the contract was less than the budgeted amount.

None of the variations between budgeted and actual results are expected to affect future services or liquidity.

A schedule showing the budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSET ACTIVITY

During the year, the Village acquired equipment with a cost of \$59,416. Road paving to be undertaken in Fall 2015 will have a positive effect on the Capital Infrastructure of the Village. A Capital Plan has been adopted going forward for the next five years and includes general fund appropriations, future CHIPS allocations, grants and assigned fund balance. Projects include additional road paving, constructing a new DPW building, and revitalization of the “four corners” area consisting of North Windsor Avenue and Orinoco Drive. In addition, the Village will be commencing another round of tree planting in the Fall of 2015, partially funded by a NYS DEC Forestry grant. Our local Senator, Phil Boyle, has been successful in obtaining several grant opportunities for the Village. The Village, in conjunction with the Downtown Revitalization committee, applied for the next round of Suffolk County Revitalization grants in order to continue the “four corners” project.

INFRASTRUCTURE ASSETS

There were no significant changes in the assessed condition of eligible infrastructure assets.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

The Village is constantly evaluating the finances and seeking cost savings wherever possible. The adopted 2015-16 budgeted resulted in a zero percent tax increase and thus is eligible for the New York State Property Tax Freeze program. In addition, the charges for refuse pickup were adjusted to reflect the actual expense which resulted in a slightly reduced tax bill for the residents.

In the 2015-16 fiscal year, the administration also assigned \$170,000 of fund balance to capital projects to ensure enough dollars were available to cover the cost of repairs and construction. This will still leave an unassigned fund balance of \$197,000 after some adjustments for unbudgeted expenses. This fund balance represents 7.8% of the budgeted expenses. The newly adopted Fund Balance Policy allows for an unassigned fund balance of 6% to 20% of the budget.

CONTACTING THE VILLAGE’S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Village’s finances and to demonstrate the Village’s accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

Incorporated Village of Brightwaters
Donna Barnett, Clerk-Treasurer
40 Seneca Drive
Brightwaters, New York 11718

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Net Position
May 31, 2015

ASSETS

Cash and Cash Equivalents	\$	376,455
CLASS Investment Account		314,640
Accounts Receivable		1,950
Taxes Receivable - Overdue		12,792
Sanitation Fees Receivable - Overdue		4,208
State and Federal Aid Receivables		122,612
Prepaid Expenses		13,121
Capital Assets (net)		2,261,453
Total Assets		3,107,231

LIABILITIES

Accounts Payable and Accrued Expenses		204,301
Due to Other Government		337
Unearned Revenue		8,600
Long-term Liabilities:		
Compensated Absences:		
Due within one year		3,667
Due in more than one year		33,006
Other Post-employment Benefits:		
Due within one year		-
Due in more than one year		881,722
Total Liabilities		1,131,633

DEFERRED INFLOWS OF RESOURCES

Taxes Collected in Advance		110,709
Sanitation Fees Collected in Advance		12,800
Total Deferred Inflows of Resources		123,509

NET POSITION

Net Investment in Capital Assets		2,261,453
Unrestricted (deficit)		(409,364)
Total Net Position	\$	1,852,089

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Activities
For the Year Ended May 31, 2015

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) / Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government Support	\$ 1,071,671	\$ 43,462	\$ -	\$ -	\$ (1,028,209)
Public Safety	545,667	38,287	-	-	(507,380)
Health	60,440	-	-	-	(60,440)
Transportation	232,563	-	18,698	-	(213,865)
Economic Opportunity and Development	23,014	-	-	-	(23,014)
Culture and Recreation	191,729	178,055	-	-	(13,674)
Home and Community Services	444,617	463,563	-	-	18,946
Total Governmental Activities	\$ 2,569,701	\$ 723,367	\$ 18,698	\$ -	(1,827,636)
GENERAL REVENUES:					
					1,612,664
					127,714
					4,895
					70,109
					7,938
					33,076
					<u>1,856,396</u>
					28,760
					<u>1,823,329</u>
					<u>\$ 1,852,089</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Balance Sheet
May 31, 2015

<u>ASSETS</u>	<u>General Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 376,455
CLASS Investment Account	314,640
Taxes Receivable - Overdue	17,000
Accounts Receivable	1,950
State Aid Receivable	122,612
Prepaid Expenses	6,191
	6,191
Total Assets	\$ 838,848
	\$ 838,848
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable and Accrued Expenditures	\$ 188,975
Due to Other Governments	337
	337
Total Liabilities	189,312
	189,312
Deferred Inflows of Resources:	
Deferred Revenue - State Aid Receivable	107,444
Deferred Revenue - Real Property Taxes	11,376
Deferred Revenue - Sanitation Fees	3,378
Deferred Revenue - Summer Camp Fees	8,600
Taxes Collected in Advance	110,708
Sanitation Fees Collected in Advance	12,800
	12,800
Total Deferred Inflows of Resources	254,306
	254,306
Fund Balance:	
Nonspendable	6,191
Unassigned	389,039
	389,039
Total Fund Balance	395,230
	395,230
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 838,848
	\$ 838,848

INCORPORATED VILLAGE OF BRIGHTWATERS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of May 31, 2015

Total Fund Balance - total governmental funds: \$ 395,230

This amount differs from the amount of Net Position shown in the Statement of Net Position due to the following:

Receivables for revenues earned, measurable but not available to provide financial resources are included in the government-wide statements as assets and are added. 122,198

Amounts for prepaid expenses are included in the government-wide statements as assets and are added. 6,930

Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation. 2,261,453

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds and are deducted. (15,327)

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental funds. However, these liabilities are included in the government-wide statements and are deducted.

Compensated absences	(36,673)
Other post-employment benefits payable	<u>(881,722)</u>

Total Net Position \$ 1,852,089

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended May 31, 2015

	General Fund
Revenues:	
Real Property Taxes	\$ 1,604,222
Real Property Tax Items	15,138
Non Property Tax Items	127,714
Departmental Income	700,326
Use of Money and Property	4,895
Licenses and Permits	4,790
Fines and Forfeitures	22,011
Insurance Recoveries and Minor Sales	7,938
Miscellaneous Local Sources	33,076
Federal Aid	2,287
State Aid	86,520
Total Revenues	2,608,917
Expenditures:	
General Government Support	771,538
Public Safety	465,378
Health	60,440
Transportation	132,146
Economic Opportunity and Development	23,014
Culture and Recreation	156,107
Home and Community Services	444,405
Employee Benefits	353,992
Total Expenditures	2,407,020
Excess (Deficiency) of Revenues Over (Under) Expenditures	201,897
Fund Balance at Beginning of Year	193,333
Fund Balance at End of Year	\$ 395,230

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance of the Governmental Funds
to the Statement of Activities
For the Year Ended May 31, 2015

Net Change in Fund Balance shown for total governmental funds \$ 201,897

This amount differs from the change in net position shown in the Statement of Activities because of the following:

Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital expenditures	59,416	
Depreciation expense	<u>(118,157)</u>	(58,741)

Major revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable and available to provide current financial resources. In the Statement of Activities, major revenues are recognized when they are earned and measurable, regardless of when they become available.

(10,456)

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

(134,147)

Certain expenditures for insurance premiums are recorded in the governmental funds when the payments are due. In the Statement of Activities, these costs are allocated over the applicable time period that they pertain to. Insurance premiums are allocated over the policy period that they are prepaid for. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.

612

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

2,048

Payments for compensated absences are shown in the governmental funds when they are due. In the Statement of Activities, these costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid.

27,547

Change in Net Position of governmental activities shown in the Statement of Activities:

\$ 28,760

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Village of Brightwaters was incorporated in 1916. The Board of Trustees, which is the legislative body responsible for the overall operations of the Village, consists of the Mayor and four trustees. The Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer.

The following basic services are provided: fire protection, sanitation, recreation, village planning, street maintenance and lighting.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Government's accounting policies are described below.

B. BASIS OF PRESENTATION

1. Government-Wide Financial Statements:

The government-wide financial statements include a Statement of Net Position and the Statement of Activities. Fiduciary activities of the Village are not included in these statements.

The statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines, and charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated.

2. Fund Financial Statements:

The accounts of the Village are organized on the basis of funds, each of which is considered

INCORPORATED VILLAGE OF BRIGHTWATERS

Notes to the Financial Statements

For the Year Ended May 31, 2015

a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, which are segregated for the purpose of carrying on specific activities. The various funds are exhibited by type in the financial statements. The following fund types are used:

Fund Categories

- a. **GOVERNMENTAL FUNDS** - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Village's governmental fund types.

General Fund - the principal operating fund; includes all operations not required to be recorded in other funds.

3. Equity Classifications:

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Fund balance is classified and displayed in five components:

- a. Nonspendable – Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

INCORPORATED VILLAGE OF BRIGHTWATERS

Notes to the Financial Statements

For the Year Ended May 31, 2015

- b. Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c. Committed – Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.
- d. Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.
- e. Unassigned – Represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus is the determination of what is measured, i.e. expenditures or expenses. Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic measurement focus means all assets and liabilities are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days from year end. Material revenues that are accrued include real property taxes and state aid. If expenditures are the prime factor for determining eligibility, revenue from federal and state grants are accrued when the expenditure is made and the resources are available. Expenditures are recorded when the liability is incurred except that:

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

- Principal and interest on indebtedness are recognized as an expenditure at the time of payment.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
- Pension costs are recognized as an expenditure when billed by the State.

D. CASH AND INVESTMENTS

The Village's investment policies are governed by state statutes. Village monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Village is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States government and United States agencies, repurchase agreements and obligations of New York State or its localities and investments made by the Cooperative Liquid Asset Security System (NYCLASS).

Collateral is required for demand deposits, money market account and certificates of deposit not covered by the FDIC. Obligations that may be pledged as collateral are obligations and repurchase agreements relating to treasury obligations.

Investments are stated at cost, which approximates market.

E. PROPERTY TAXES

Property taxes are levied annually on June 1. Real property tax payments are due in total by July 1st of each year. A 5% penalty is imposed after July 1st. Interest is charged at a rate of 1% per month up to a total of 12% per annum.

F. BUDGETARY DATA

1. Budget Policies

An operating budget is adopted each fiscal year. The Mayor prepares a preliminary budget and the Village Board of Trustees holds a public hearing. Subsequent to the public hearing, revisions (if any) are made and the budget is adopted by the Village Board as its budget for the coming year. The budget is not subject to referendum. Any supplemental appropriations that amend total expenditures require Village Board resolution. All budget appropriations lapse at the end of each fiscal year.

2. Budget Basis of Accounting:

Budgets are adopted annually on a basis consistent with generally accepted accounting

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

principles applicable to municipalities.

G. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, vehicles and equipment and infrastructure assets, are reported in the government-wide financial statements. The capital assets are reported at original cost. Depreciation has been recorded using the straight-line method over 5 to 20 years for vehicles and equipment, 25 to 40 years for infrastructure, and 40 years for buildings and improvements. Land is not depreciated. The Village has established a capitalization threshold for assets of \$1,000. General infrastructure assets acquired or constructed prior to June 1, 2004 are not reported in the financial statements.

H. COMPENSATED ABSENCES

The Village's union employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacation time can be accumulated upon written request citing extenuating circumstances. Sick time can be accumulated up to a maximum of 60 days. However, upon termination or retirement, each union employee shall be paid for accumulated sick leave, but in no event more than 36 days. Records are maintained by the Clerk-Treasurer. At May 31, 2015, the Village has an estimated liability of \$36,673.

I. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees. Substantially all of the Village's full time employees may become eligible for these benefits.

Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits payable is recorded as a long-term debt in the government-wide statements. The current portion of this debt is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 45.

J. INSURANCE

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Village carries various insurance policies to mitigate any losses that might occur.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally

INCORPORATED VILLAGE OF BRIGHTWATERS

Notes to the Financial Statements

For the Year Ended May 31, 2015

accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those estimates.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time.

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

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village's cash and cash equivalents consist of cash on hand and demand deposits. Village monies must be deposited in specified FDIC-insured commercial banks located in New York State. The Village Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include: obligations of the U.S. Treasury, obligations of New York State (or its localities if approved by the State Comptroller), and a CLASS investment account with the Municipal Investors Service Corp. which has a collateral arrangement with a third party custodial bank. All deposits and investments are carried at cost plus accrued interest.

Third party collateral is required for all deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are the same as the permissible investments mentioned above.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's third party custodial bank. They consisted of:

Deposits: All deposits are carried at cost plus accrued interest. Bank balances for the Village's deposits with financial institutions as of May 31, 2015 totaled \$227,985 and are categorized as follows:

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

Checking - Demand	\$ 227,985
Total Balances	\$ 227,985

Amount FDIC Insured	\$ 227,985
Total Amounts	\$ 227,985

Investments: All deposits are stated at cost plus accrued interest.

	CLASS Investment Account	
Fund	Market Value	Carrying Amount
General	\$ 314,640	\$ 314,640
Total Deposits and Investments	\$ 314,640	\$ 314,640

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

2. Changes in Capital Assets:

A summary of changes in capital assets follows:

<u>Capital Assets</u>	Balance May 31, 2014	Additions	Deletions	Balance May 31, 2015
Land	\$ 240,131	\$ -	\$ -	\$ 240,131
Vehicles and Equipment	585,531	59,416	-	644,947
Buildings and Improvements	248,285	-	-	248,285
Infrastructure	2,262,825	-	-	2,262,825
	<u>3,336,772</u>	<u>59,416</u>	<u>-</u>	<u>3,396,188</u>
 <u>Accumulated Depreciation</u>				
Land	-	-	-	-
Vehicles and Equipment	(494,819)	(27,413)	-	(522,232)
Buildings and Improvements	(174,850)	(8,343)	-	(183,193)
Infrastructure	(346,909)	(82,401)	-	(429,310)
	<u>(1,016,578)</u>	<u>(118,157)</u>	<u>-</u>	<u>(1,134,735)</u>
 <u>Totals</u>				
Land	240,131	-	-	240,131
Vehicles and Equipment	90,712	32,003	-	122,715
Buildings and Improvements	73,435	(8,343)	-	65,092
Infrastructure	1,915,916	(82,401)	-	1,833,515
Capital Assets, (net)	<u>\$ 2,320,194</u>	<u>\$ (58,741)</u>	<u>\$ -</u>	<u>\$ 2,261,453</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities

General Government Support	\$ 14,944
Public Safety	3,531
Transportation	74,212
Culture and Recreation	25,258
Home and Community Services	212
Total depreciation expense – Governmental Activities	<u>\$ 118,157</u>

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

B. LIABILITIES

1. Pension Plan:

The Village of Brightwaters participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions paid for the current year and two preceding years were:

2014-2015	\$	87,590
2013-2014		99,277
2012-2013		115,083

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

2. Long-Term Liabilities:

a. The Village had the following non-current liabilities:

- Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.
- Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the liability to current employees and retirees.

b. Summary Long-Term Debt – The following is a summary of long term liabilities by fund:

	General
Compensated Absences	\$ 36,673
Other Post-Employment Benefits	881,722
Total Long-Term Debt	\$ 918,395

c. The following is a summary of changes in long-term liabilities:

	Compensated Absences	Other Post- Employment Benefits
Payable at beginning of fiscal year	\$ 64,220	\$ 747,575
Additions	-	184,811
Reductions	(27,547)	(50,664)
Payable at end of fiscal year	\$ 36,673	\$ 881,722

C. FUND BALANCE

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:

- a. The government's highest level of decision-making authority resides with the Board of Trustees.
- b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

2. For assigned fund balances:

- a. The body or official authorized to assign amounts to specific purpose is the Board of Trustees.
- b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

D. POST EMPLOYMENT HEALTHCARE PLAN

In the government-wide financial statements, the cost of other post-employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended May 31, 2010, the Village recognizes the cost of other post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Village's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2010.

Plan Description. The Village maintains a post-employment health insurance plan for retired employees of the Village. The plan is a single-employer defined benefit OPEB plan administered by the Village. The plan provides medical insurance through the New York State Empire Health Insurance Plan and dental and vision benefits through Teamsters Local 237. The plan's benefits are provided to all eligible retirees and their eligible spouses and can be amended by action of the Governing Board subject to applicable collective bargaining and employment agreements. For a retiree to be eligible, he or she should have completed twenty consecutive years working full time for the Village.

There are currently five active participants and four retirees in the plan. All financial activities of the plan are included in the financial statements of the Village. The plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy. Currently, the plan is non-contributory for employees. The plan pays 100% of the cost of all benefits provided to the retiree and the retiree's spouse during the retiree's lifetime. The plan does not provide benefits to surviving spouses. The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The Village reserves the right to modify this plan in the future.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

Annual OPEB Cost and Net OPEB Obligation. The Village's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the state's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

Annual required contribution	\$ 190,914
Interest on net OPEB obligation	29,903
Adjustment to annual required contribution	<u>(36,006)</u>
Annual OPEB cost (expense)	184,811
Contributions made	<u>(50,664)</u>
Increase in net OPEB obligation	134,147
Net OPEB obligation—beginning of year	<u>747,575</u>
Net OPEB obligation—end of year	<u><u>\$ 881,722</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost of Payroll
5/31/2015	\$ 184,811	27.4%	\$ 881,722	\$ 520,972	35.5%
5/31/2014	176,411	25.6%	747,575	508,266	34.7%
5/31/2013	168,107	23.7%	616,307	488,717	33.7%

Funded Status and Funding Progress. As of June 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$2,080,122, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,080,122. The covered payroll (annual payroll of active employees covered by the plan) was \$488,717, and the ratio of the UAAL to the covered payroll was 425.6% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

E. CONCENTRATION OF RISK

The Village maintains all cash and cash equivalents in one depository. FDIC insurance covers all government accounts up to \$250,000 (per official custodian) for demand and time and savings accounts.

F. COMMITMENTS AND CONTINGENCIES

Contracts

The Village contracts annually with the Bay Shore Fire District to provide fire protection for residents and property owners within the territorial limits of the Incorporated Village of Brightwaters. Payments made during the fiscal year totaled \$227,904 for this protection. In accordance with the contract, the Village is required to pay \$212,697 for fire protection on or before September 1, 2015.

In May 2014, the Village entered into an agreement for garbage collection and disposal. The contract is for a period of two years, ending September 1, 2016. The minimum required payments for the years ending May 31, 2016 and 2017 are \$381,468 and \$95,367, respectively.

State Grants

The Village is a recipient of a number of State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances and a request for a return of funds. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari

There are presently pending against the Village a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years.

INCORPORATED VILLAGE OF BRIGHTWATERS
Notes to the Financial Statements
For the Year Ended May 31, 2015

The financial exposures in these cases are indeterminable at this time.

Other

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

G. SUBSEQUENT EVENTS

A Capital Projects fund was established in July 2015 with the adoption of the Fund Balance Policy. An appropriation of \$130,000 for the Capital Fund was adopted with the 2015-16 budget and a subsequent transfer of these funds was made in September 2015. In addition, the Board approved an assignment of Fund Balance in the amount of \$170,000 for the purpose of capital project improvements, such as road paving, canal repair and building construction.

The date to which events occurring after May 31, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is July 16, 2015, which is the date the financial statements were available to be issued.

INCORPORATED VILLAGE OF BRIGHTWATERS
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Real Property Taxes	\$ 1,595,625	\$ 1,594,740	\$ 1,604,222
Real Property Tax Items	11,400	14,250	15,138
Non Property Tax Items	128,000	128,000	127,714
Departmental Income	685,449	696,445	700,326
Use of Money and Property	6,500	6,500	4,895
Licenses and Permits	4,000	4,000	4,790
Fines and Forfeitures	22,000	22,000	22,011
Insurance Recoveries and Minor Sales	2,000	8,678	7,938
Miscellaneous Local Sources	15,000	25,000	33,076
Federal Aid	-	2,287	2,287
State Aid	291,795	295,975	86,520
	<u>2,761,769</u>	<u>2,797,875</u>	<u>2,608,917</u>
Total Revenues			
Expenditures:			
General Government Support	750,516	780,571	771,538
Public Safety	428,622	466,332	465,378
Health	61,060	60,500	60,440
Transportation	590,975	489,367	132,146
Economic Opportunity and Development	12,500	28,800	23,014
Culture and Recreation	50,725	142,342	156,107
Home and Community Services	469,971	458,568	444,405
Employee Benefits	397,400	371,395	353,992
	<u>2,761,769</u>	<u>2,797,875</u>	<u>2,407,020</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	201,897
Fund Balance at Beginning of Year			<u>193,333</u>
Fund Balance at End of Year			<u>\$ 395,230</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF BRIGHTWATERS
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended May 31, 2015
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/1/2009	-	\$ 1,921,702	\$ 1,921,702	0.0%	\$ 550,028	349.4%
6/1/2012	-	2,080,122	2,080,122	0.0%	488,717	425.6%

FORM OF DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE LIMITED DISCLOSURE

Section 1. Definitions

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

“Annual Information” shall mean the information specified in Section 2(a)(1), (2) and (3) hereof.

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

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

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

“Issuer” shall mean the **Village of Brightwaters**, 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 Village Treasurer in connection with the sale and delivery of the Securities.

“Rule” shall mean Rule 15c212 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c212), 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 **\$1,650,000 Public Improvement Serial Bonds-2016**, dated May 24, 2016, maturing in various principal amounts on August 1 in each of the years 2016 to 2025, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Limited 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 Liberty Capital Services, LLC, 1205 Franklin Avenue, Suite 335, Garden City, New York, to the EMMA System:

- (1) (i) the audited financial statement, if any, of the Issuer for each fiscal year commencing with the fiscal year ending May 31, 2016, shall be provided within nine (9) months following the end of such fiscal year, unless such audited financial statement shall not then be available, in which case the unaudited financial statement shall be provided within nine (9) months following the end of each fiscal year and the audited financial statement shall be provided within sixty (60) days after it becomes available and in no event later than one (1) year after the end of each fiscal year; provided, however that the unaudited financial statement shall be provided for any fiscal year only if the Village 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; or (ii) in the event that the Issuer does not customarily prepare audited financial statements, the Issuer's Annual Financial Report Update Document filed by the Issuer with the State of New York;
- (2) the adopted budget of the Issuer for each fiscal year, within nine (9) months following the end of each fiscal year, commencing with the fiscal year ending May 31, 2018;
- (3) any other financial information or operating data regarding the Issuer, which is customarily prepared by the Issuer and is publicly available; and
- (4) 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:
 - (i) principal and interest payment delinquencies;
 - (ii) nonpayment 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 (xii): For the purposes of the event identified in clause (xii) 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; and

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

- (5) in a timely manner, notice of a failure to provide the annual financial information by the date specified.

(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 material event except those events listed above.

Section 3. Additional Information Upon Request. (a) In addition, upon request with respect to any fiscal year, the Issuer shall provide certain additional financial information and operating data, 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 heading "The Village," "Financial Information," "Tax Information," "Village Indebtedness," "Litigation" and Appendix A. Following any such request with respect to any fiscal year, such financial information and operating data with respect to such fiscal year will be provided to the requesting party and to EMMA prior to the later of either (i) three months following the receipt of such request or (ii) the end of the ninth month of the succeeding fiscal year. All such requests should be directed to the Village Treasurer, Village of Brightwaters, Village Hall, 40 Seneca Drive, Brightwaters, New York 11718, telephone number (631) 665-1280.

(b) All or any portion of the Additional Information may be incorporated in the Additional 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) Additional 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 Additional Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Additional 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 shall be prepared in accordance with GAAP as in effect from time to time. Such financial statements shall be audited by an independent accounting firm.

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 (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 the 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 Bonds, 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.

Section 11. No Previous NonCompliance. Other than as may be set forth in the Issuer's Official Statement prepared in connection with the issuance of the Securities, the Issuer represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of May 24, 2016.

VILLAGE OF BRIGHTWATERS

By _____
Village Treasurer and Chief Fiscal Officer