

INCORPORATED VILLAGE OF SOUTHAMPTON
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT)

For the Year Ended May 31, 2021

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-3 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Management's Discussion and Analysis | 4-11 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Governmental Funds Financial Statements | |
| Balance Sheet | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | 17 |
| Fiduciary Funds Financial Statements | |
| Statement of Fiduciary Net Position | 18 |
| Statement of Changes in Fiduciary Net Position | 18 |
| Notes to Financial Statements..... | 19-49 |
| REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund | 50 |
| Schedule of Changes in the Total Other Postemployment Benefit Liability and Related Ratios (OPEB)..... | 51 |
| Schedule of Pension Contributions – Pension Plan..... | 52 |
| Schedule of Proportionate Share of the Net Pension Liability – Pension Plan..... | 53 |
| Schedule of Change in the Length of Service Award Program – Total Pension Liability..... | 54 |
| OTHER SUPPLEMENTARY INFORMATION: | |
| Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund... | 55-56 |
| Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund... | 57-60 |
| Schedule of Increases and Decreases – Capital Projects Fund | 61 |
| Schedule of Increases and Decreases – Special Revenue Fund | 62 |

TABLE OF CONTENTS

OTHER REPORTS:

| | |
|---|-------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 63-64 |
| Schedule of Findings | 65-66 |

Independent Auditors' Report

Honorable Mayor and Board of Trustees
Incorporated Village of Southampton
Southampton, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Incorporated Village of Southampton (the "Village"), as of and for the year ended May 31, 2021 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village'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 unmodified and qualified audit opinions.

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities | Unmodified |
| General Fund | Unmodified |
| Capital Projects Fund | Unmodified |
| Special Revenue Fund | Unmodified |
| Aggregate Remaining Fund Information | Qualified |

Basis for Qualified Opinion on Aggregate Remaining Fund Information

Accounting records for the Village of Southampton Justice Court Bail Account, which is accounted for in the Village's custodial fund, indicate conflicting amounts being held as bail for defendants. The amount by which this discrepancy would effect the assets and liabilities of the aggregate remaining fund information has not been determined.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Incorporated Village of Southampton, as of May 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 Southampton, as of May 31, 2021, 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.

Emphasis of Matter

New Accounting Guidance

We draw attention to Note 11 and Note 6 in the notes to financial statements which disclose the effects of the Village's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 84, "*Fiduciary Activities*." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the total other postemployment benefits liability and related ratios, the schedule of pension contributions, the schedule of proportionate share of the net pension liability, and the schedule of change in the length of service award program 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The schedules listed in the other supplementary information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 53 - 60 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures as described above, the other supplementary information on pages 53 - 60 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior Period Financial Statements

The financial statements of the Village of Southampton as of May 31, 2020 were audited by other auditors whose report dated March 10, 2021 expressed an unmodified opinion on those statements in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information presented herein as of and for the year ended May 31, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP
Hauppauge, New York
February 8, 2022

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2021

As management of the Incorporated Village of Southampton (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2021. We encourage readers to consider the information presented here in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- As reflected in the government-wide financial statements, the liabilities and deferred inflows of resources of the Village exceeded its assets and deferred outflows of resources as of May 31, 2021 by \$43,556,634 (net deficit). The components of the net deficit are the Village's net investment in capital assets of \$27,833,393, restricted net position of \$8,372,043, and an unrestricted net deficit of \$79,762,070.
- As reflected in the fund financial statements, as of May 31, 2021, the assets of the Village exceeded its liabilities and deferred inflows of resources by \$26,342,646, an increase in overall fund balance of \$5,985,737 from the prior year. The Village's total fund balance of \$26,342,646 includes \$478,371 of nonspendable fund balance, \$8,372,043 of restricted fund balance, \$7,693,910 of assigned fund balance, and \$9,798,322 of unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. These basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements distinguish function and programs of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Village include general government support, public safety, health, transportation, culture and recreation, and home and community services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and fiduciary funds.

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Governmental Funds

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

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

The Village currently maintains three governmental funds: (1) General Fund, (2) Capital Projects Fund, and (3) Special Revenue Fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and as the resources are not available to support the Village's programs, these funds are not reflected in the government-wide financial statements. The Village has one fiduciary fund, a custodial fund, which primarily accounts for amounts held for others collected through fundraising, as well as amounts due to others for bail.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements, this report contains required supplementary information other than management's discussion and analysis, and other supplementary information following the notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 May 31, 2021

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our analysis below focuses on the net position and changes in net position of the Village's governmental activities.

Condensed Statement of Net Position
 Governmental Activities
 as of May 31st,

| | 2021 | 2020 |
|---------------------------------------|------------------------|------------------------|
| Assets | | |
| Current and other assets | \$ 32,111,084 | \$ 24,175,481 |
| Capital assets | 36,298,907 | 36,914,133 |
| Total Assets | 68,409,991 | 61,089,614 |
| Deferred Outflows of Resources | 20,713,330 | 14,854,836 |
| Liabilities | | |
| Current and other liabilities | 6,902,609 | 4,163,225 |
| Long-term liabilities | 111,044,906 | 115,328,777 |
| Total Liabilities | 117,947,515 | 119,492,002 |
| Deferred Inflows of Resources | 14,732,440 | 1,066,062 |
| Net Position (Deficit) | | |
| Net investment in capital assets | 27,833,393 | 28,531,078 |
| Restricted | 8,372,043 | 9,318,728 |
| Unrestricted deficit | (79,762,070) | (82,463,420) |
| Total Net Position | \$ (43,556,634) | \$ (44,613,614) |

Total assets and deferred outflows of resources increased by \$13,178,871 when compared to the prior year. This increase can be attributed to the increase in cash and an increase in deferred outflows of resources relating to actuarial valuations for the net pension liability, other postemployment benefits, and length of service award programs. Total liabilities and deferred inflows of resources increased by \$12,121,891 when compared to the prior year. This change is primarily related to increases in other postemployment benefits payable, length of service award programs, and deferred inflows of resources relating to the actuarial valuation for the net pension liability. This resulted in a net deficit of \$43,556,634, a decrease in the deficit of \$1,056,980.

Currently, the Village's net position includes \$27,833,393 which reflects its net investment in capital assets (e.g., land, buildings, improvements and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 May 31, 2021

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (continued)

Condensed Statement of Activities and Changes in Net Position
 Governmental Activities
 For the years ended May 31st,

| | 2021 | 2020* |
|---|--------------|----------------|
| Program Revenues | | |
| Charges for services | \$ 5,086,088 | \$ 5,083,826 |
| Operating grants and contributions | 739,557 | 192,965 |
| Capital grants and contributions | 1,101,804 | 478,247 |
| Total Program Revenues | 6,927,449 | 5,755,038 |
| General Revenues | | |
| Real property taxes and other real property tax items | 25,812,834 | 24,628,799 |
| Non-property tax items | 544,807 | 467,837 |
| State and federal aid | 1,651,037 | 1,177,207 |
| Other | 1,613,796 | 1,207,543 |
| Total General Revenues | 29,622,474 | 27,481,386 |
| Total Revenues | 36,549,923 | 33,236,424 |
| Program Expenses | | |
| General government support | 8,385,352 | 9,092,682 |
| Public safety | 19,103,801 | 20,660,490 |
| Health | 504,854 | 435,843 |
| Transportation | 3,899,984 | 3,805,034 |
| Culture and recreation | 2,946,611 | 2,610,075 |
| Home and community services | 426,355 | 412,202 |
| Interest on long-term debt | 225,986 | 230,376 |
| Total Expenses | 35,492,943 | 37,246,702 |
| Change in Net Position | \$ 1,056,980 | \$ (4,010,278) |

*Certain reclassifications have been made to prior year balances to conform to the current year presentation.

Program revenues includes charges for services which provide a direct benefit to the purchaser, including fees for the beach access, parking, event fees, building permits, and fire protection services. Revenue contributions by external governments that are restricted to supporting these types of programs are also classified as program revenues as either operating or capital grants.

General revenues include revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the Village. This includes real property taxes and related items, state and federal aid, and miscellaneous funds that may be generated during the course of the year, such as sales on excess equipment and insurance property loss claims received.

**INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2021**

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (continued)

The Village's total revenues increased by \$3,313,499 or 10.0% when compared to the prior year. The Village recognized \$1,172,411 more in program revenues and \$2,141,088 more in general revenues. The increase in program revenues can be attributed to an increase in operating grants and contributions due to a grant from Suffolk County to dredge Lake Agawam which is located in the Village, and an increase in capital grants and contributions relating to payments from local utility companies to repave roads in the Village that were damaged during utility work. The increase in general revenues is due to increases in the real property tax levy, mortgage tax revenue, and unrealized gains on program assets for the length of service award programs, offset by a decrease in revenues relating to use of money and property.

The Village's total expenses decreased by \$1,753,759 or 4.7% from the prior year. General government support decreased \$707,330 primarily due to a decrease in pension expense for the New York State and Local Employees' Retirement System. Public safety decreased \$1,556,689 primarily due to a decrease in pension expense for the New York State and Local Employees' Retirement System partially offset by an increase in pension expense for the length of service award programs.

Net Cost of Services
Governmental Activities
For the year ended May 31st,

| | Total Cost of Services | | Program Revenues | | Net Revenue (Expense) of Services | |
|-----------------------------|------------------------|----------------------|--------------------|--------------------|-----------------------------------|------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General government support | \$ 8,385,352 | \$ 9,092,682 | \$ 174,654 | \$ 115,618 | \$ (8,210,698) | \$ (8,977,064) |
| Public safety | 19,103,801 | 20,660,490 | 4,233,071 | 3,779,887 | (14,870,730) | (16,880,603) |
| Health | 504,854 | 435,843 | | | (504,854) | (435,843) |
| Transportation | 3,899,984 | 3,805,034 | 1,159,155 | 574,672 | (2,740,829) | (3,230,362) |
| Culture and recreation | 2,946,611 | 2,610,075 | 795,265 | 1,097,317 | (2,151,346) | (1,512,758) |
| Home and community services | 426,355 | 412,202 | 565,304 | 187,544 | 138,949 | (224,658) |
| Interest on debt | 225,986 | 230,376 | | | (225,986) | (230,376) |
| | <u>\$ 35,492,943</u> | <u>\$ 37,246,702</u> | <u>\$6,927,449</u> | <u>\$5,755,038</u> | <u>\$ (28,565,494)</u> | <u>\$ (31,491,664)</u> |

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the total fund balance of the General Fund was \$18,465,416, an increase of \$1,197,826 compared to prior year. This was primarily the result of budgetary savings of \$1,527,819 and greater than anticipated revenues of \$3,559,415 primarily in State aid and miscellaneous local sources. This was offset by a planned deficit of \$4,516,564. Of the total fund balance, \$478,371 was not in spendable form, \$7,561,567 was restricted for reserves and length of service award program assets, \$627,156 was assigned for purchase orders, and \$9,798,322 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 28.7% of annual expenditures and other uses while total fund balance represents approximately 54.1% of total fund expenditures and other uses.

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2021

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (continued)

Capital Projects Fund

Total revenues and other financing sources in the Capital Projects Fund were \$6,073,323, which includes an interfund transfer from the General Fund of \$5,301,800, miscellaneous local sources of \$770,293 relating to payments from utility companies to repave Village roads which were damaged during utility work, and \$1,230 for use of money and property. Total expenditures of \$1,751,778 relate to capital projects including road repair, major equipment purchase, and completion of the ambulance building.

Special Revenue Fund

The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The fund balance in the special revenue fund increased by \$466,366 from the prior year, to an ending fund balance of \$810,476. The increase was primarily due to planning board fees collected in accordance with the Workforce Housing Act in the amount of \$466,800. This amount is restricted for use on affordable workforce housing.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village's General Fund adopted budget for the fiscal year ended May 31, 2021 was \$32,465,063. The primary sources of funding for the budget were real property taxes of \$25,584,187, departmental income of \$2,607,000, intergovernmental charges of \$1,471,626, and State aid of \$1,162,000.

Actual revenues of \$35,300,816 exceeded the modified revenue budget of \$31,741,401, resulting in a positive budget variance of \$3,559,415. This variance was primarily due to higher than anticipated revenues from departmental income, State aid, and miscellaneous local sources.

Actual expenditures and other financing uses for the year were \$34,102,990. The modified budget of \$36,257,965, which included prior year encumbrances of \$189,791. This resulted in a positive expenditure budget variance of \$1,527,819 which was primarily driven by savings in employee benefits and transportation.

INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
 May 31, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village's capital assets were \$36,298,907 at May 31, 2021 (net of accumulated depreciation). During the current fiscal year, the Village had additions of \$2,497,203, and recorded depreciation expense of \$3,102,429, and a loss on disposal of \$10,000.

Capital Assets at May 31st,

| | 2021 | 2020 |
|---------------------------------|----------------------|----------------------|
| Land | \$ 1,819,893 | \$ 1,819,893 |
| Construction in progress | 123,231 | 5,955,439 |
| Buildings | 20,574,453 | 14,477,682 |
| Land Improvements | 5,365,310 | 5,315,795 |
| Machinery and equipment | 13,936,993 | 13,271,315 |
| Vehicles | 12,546,653 | 12,508,913 |
| Infrastructure | 26,989,257 | 25,604,011 |
| Total Capital Assets | 81,355,790 | 78,953,048 |
| Less: Accumulated depreciation | 45,056,883 | 42,038,915 |
| Total Net Capital Assets | \$ 36,298,907 | \$ 36,914,133 |

Debt Administration

The Village borrows money to finance the acquisition of capital assets, including infrastructure, land/buildings, and equipment. Long-term financing plans are designed to allocate the acquisition costs of capital assets to present and future taxpayers receiving the benefit of the capital assets. The Village pledges its full faith and credit for the payment of principal and interest. The following is a schedule of debt for capital purposes:

| | May 31st, | |
|------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| General obligation bonds payable * | \$ 7,360,000 | \$ 8,015,000 |
| | <u>\$ 7,360,000</u> | <u>\$ 8,015,000</u> |

* This does not include the bond premium as presented in the Statement of Net Position.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village has adequate fund balance on hand to finance current operations. The Village is primarily reliant on property tax revenues, along with department revenues, fines/forfeitures, and State aid. The 2022 budgeted appropriations are \$32,207,924, which is a decrease of \$257,139 from the current year's original budget. The Village's unassigned fund balance is \$9,798,322 as of May 31, 2021, which represents 30.4% of the subsequent year's budget.

**INCORPORATED VILLAGE OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
May 31, 2021**

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Questions concerning any information provided in this report should be directed to:

Charlene Kagel-Betts
Village Administrator
Incorporated Village of Southampton
23 Main Street
Southampton, NY 11968

BASIC FINANCIAL STATEMENTS

INCORPORATED VILLAGE OF SOUTHAMPTON
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
 May 31, 2021

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 21,642,224 |
| Restricted cash | 2,592,571 |
| Tax sale certificates | 393,003 |
| Accounts receivable, net | 23,147 |
| Due from other governments | 523,464 |
| Prepays | 478,371 |
| Total Current Assets | 25,652,780 |
| Non-Current Assets: | |
| Non-depreciable capital assets | 1,943,124 |
| Depreciable capital assets, net of depreciation | 34,355,783 |
| Length of service award programs plan assets | 6,458,304 |
| Total Non-Current Assets | 42,757,211 |
| Total Assets | 68,409,991 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions | 11,737,697 |
| Other postemployment benefits | 6,135,037 |
| Length of service award programs | 2,840,596 |
| Total Deferred Outflows of Resources | 20,713,330 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable and accrued liabilities | 1,919,836 |
| Unearned revenue | 980,217 |
| Accrued interest payable | 44,912 |
| Due to state and local retirement system | 373,554 |
| Due to other governments | 860 |
| Deposits payable | 2,125,041 |
| Non-current liabilities due within one year | |
| General obligation bonds payable | 525,000 |
| Due to state and local retirement system | 94,512 |
| Compensated absences | 838,677 |
| Total Current Liabilities | 6,902,609 |
| Non-Current Liabilities: | |
| General obligation bonds payable, inclusive of unamortized premiums | 7,167,063 |
| Due to state and local retirement system | 209,335 |
| Compensated absences | 5,805,903 |
| Other postemployment benefits payable | 85,142,134 |
| Net pension liability - proportionate share | 2,356,572 |
| Length of service award programs liability | 10,363,899 |
| Total Non-Current Liabilities | 111,044,906 |
| Total Liabilities | 117,947,515 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions | 14,132,513 |
| Length of service award programs | 599,927 |
| Total Deferred Inflows of Resources | 14,732,440 |
| NET POSITION (DEFICIT) | |
| Net investment in capital assets | 27,833,393 |
| Restricted for: | |
| NYS Reserves | 1,103,263 |
| Special reserves | 810,476 |
| Length of service award programs | 6,458,304 |
| Unrestricted (deficit) | (79,762,070) |
| Total Net Position (Deficit) | \$ (43,556,634) |

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
Year Ended May 31, 2021

| Function/Program | Expenses | Program Revenues | | Governmental Activities | Net Revenue (Expense) and Changes in Net Position |
|-------------------------------|----------------------|----------------------|------------------------------------|-------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | | |
| Governmental Activities: | | | | | |
| General government support | \$ 8,385,352 | \$ 111,950 | \$ 62,704 | | \$ (8,210,698) |
| Public safety | 19,103,801 | 3,556,218 | 676,853 | | (14,870,730) |
| Health | 504,854 | | | | (504,854) |
| Transportation | 3,899,984 | 57,351 | | \$ 1,101,804 | (2,740,829) |
| Culture and recreation | 2,946,611 | 795,265 | | | (2,151,346) |
| Home and community services | 426,355 | 565,304 | | | 138,949 |
| Interest on debt | 225,986 | | | | (225,986) |
| Total Governmental Activities | <u>\$ 35,492,943</u> | <u>\$ 5,086,088</u> | <u>\$ 739,557</u> | <u>\$ 1,101,804</u> | <u>(28,565,494)</u> |

GENERAL REVENUES

| | |
|-------------------------------|------------|
| Real property taxes | 25,570,648 |
| Other real property tax items | 242,186 |
| Non-property tax items | 544,807 |
| Interest income | 37,687 |
| Rental of Village property | 20,000 |
| State Aid - unrestricted | 1,651,037 |
| AIM Related Payments | 335,177 |
| Miscellaneous | 1,220,932 |

Total General Revenues 29,622,474

Change in Net Position 1,056,980

Net Position at Beginning of Year (44,613,614)

Net Position at End of Year \$ (43,556,634)

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
GOVERNMENTAL FUNDS
BALANCE SHEET
May 31, 2021

| | General | Capital Projects | Special Revenue | Totals |
|--|----------------------|----------------------|-------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 20,642,256 | \$ 2,780,801 | | \$ 23,423,057 |
| Restricted cash | | | \$ 811,738 | 811,738 |
| Tax sale certificates | 393,003 | | | 393,003 |
| Accounts receivable, net | 23,147 | | | 23,147 |
| Due from other funds | 148,071 | 7,325,964 | | 7,474,035 |
| Due from other governments | 523,464 | | | 523,464 |
| Prepays | 478,371 | | | 478,371 |
| Length of service award programs plan assets | 6,458,304 | | | 6,458,304 |
| Total Assets | <u>\$ 28,666,616</u> | <u>\$ 10,106,765</u> | <u>\$ 811,738</u> | <u>\$ 39,585,119</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,146,385 | \$ 773,451 | | \$ 1,919,836 |
| Due to other funds | 7,325,964 | 146,809 | \$ 1,262 | 7,474,035 |
| Due to other governments | 860 | | | 860 |
| Due to NYS Employee Retirement System | 373,554 | | | 373,554 |
| Security deposits | 5,290 | 2,119,751 | | 2,125,041 |
| Unearned revenue | 980,217 | | | 980,217 |
| Total Liabilities | <u>9,832,270</u> | <u>3,040,011</u> | <u>1,262</u> | <u>12,873,543</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Tax sale certificates | 348,930 | | | 348,930 |
| Unavailable revenue - other | 20,000 | | | 20,000 |
| Total Deferred Inflows of Resources | <u>368,930</u> | <u>-0-</u> | <u>-0-</u> | <u>368,930</u> |
| FUND BALANCE | | | | |
| Nonspendable | 478,371 | | | 478,371 |
| Restricted | 7,561,567 | | 810,476 | 8,372,043 |
| Assigned | 627,156 | 7,066,754 | | 7,693,910 |
| Unassigned | 9,798,322 | | | 9,798,322 |
| Total Fund Balance | <u>18,465,416</u> | <u>7,066,754</u> | <u>810,476</u> | <u>26,342,646</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 28,666,616</u> | <u>\$ 10,106,765</u> | <u>\$ 811,738</u> | <u>\$ 39,585,119</u> |

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 May 31, 2021

| | | |
|--|---------------------|-------------------------------|
| Total Fund Balance - Governmental Funds | | \$ 26,342,646 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets less accumulated depreciation are included in the Statement of Net Position: | | |
| Capital assets - non-depreciable | \$ 1,943,124 | |
| Capital assets - depreciable | 79,412,666 | |
| Accumulated depreciation | <u>(45,056,883)</u> | 36,298,907 |
| Deferred outflows of resources are included in the Statement of Net Position. | | 20,713,330 |
| Interest payable on long-term debt and retainage payable does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. | | (44,912) |
| Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the funds. However, these liabilities are included in the Statement of Net Position: | | |
| Due to state and local retirement system | (303,847) | |
| Compensated absences | (6,644,580) | |
| General obligation bonds payable, inclusive of unamortized premiums | (7,692,063) | |
| Other postemployment benefits payable | (85,142,134) | |
| Net pension liability - proportionate share | (2,356,572) | |
| Length of service award programs liability | <u>(10,363,899)</u> | (112,503,095) |
| Deferred inflows of resources are included in the Statement of Net Position | | (14,732,440) |
| Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | <u>368,930</u> |
| Net Position of Governmental Activities | | <u>\$ (43,556,634)</u> |

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended May 31, 2021

| | General | Capital Projects | Special Revenue | Totals |
|---|----------------------|---------------------|--------------------|----------------------|
| REVENUES | | | | |
| Real property taxes | \$ 25,582,851 | | | \$ 25,582,851 |
| Other real property tax items | 242,186 | | | 242,186 |
| Non-property tax items | 544,807 | | | 544,807 |
| Departmental income | 2,823,569 | | \$ 466,800 | 3,290,369 |
| Intergovernmental charges | 1,292,610 | | | 1,292,610 |
| Use of money and property | 35,968 | \$ 1,230 | 489 | 37,687 |
| Licenses and permits | 137,064 | | | 137,064 |
| Fines and forfeitures | 363,546 | | | 363,546 |
| Sale of property and compensation for loss | 159,714 | | | 159,714 |
| Miscellaneous local sources | 1,459,099 | 770,293 | 2,500 | 2,231,892 |
| State aid | 2,659,402 | | | 2,659,402 |
| Total Revenues | <u>35,300,816</u> | <u>771,523</u> | <u>469,789</u> | <u>36,542,128</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government support | 5,415,999 | | | 5,415,999 |
| Public safety | 9,162,244 | | | 9,162,244 |
| Health | 489,367 | | | 489,367 |
| Transportation | 2,274,558 | | | 2,274,558 |
| Culture and recreation | 1,528,788 | | 3,423 | 1,532,211 |
| Home and community services | 325,922 | | | 325,922 |
| Employee benefits | 8,707,043 | | | 8,707,043 |
| Capital outlay | | 1,751,778 | | 1,751,778 |
| Debt service: | | | | |
| Principal | 655,000 | | | 655,000 |
| Interest | 242,269 | | | 242,269 |
| Total Expenditures | <u>28,801,190</u> | <u>1,751,778</u> | <u>3,423</u> | <u>30,556,391</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>6,499,626</u> | <u>(980,255)</u> | <u>466,366</u> | <u>5,985,737</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | 5,301,800 | | 5,301,800 |
| Transfers out | (5,301,800) | | | (5,301,800) |
| Total Other Financing Sources | <u>(5,301,800)</u> | <u>5,301,800</u> | <u>-0-</u> | <u>-0-</u> |
| Net Change in Fund Balances | 1,197,826 | 4,321,545 | 466,366 | 5,985,737 |
| Fund Balances at Beginning of Year | <u>17,267,590</u> | <u>2,745,209</u> | <u>344,110</u> | <u>20,356,909</u> |
| Fund Balances at End of Year | <u>\$ 18,465,416</u> | <u>\$ 7,066,754</u> | <u>\$ 810,476</u> | <u>\$ 26,342,646</u> |

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended May 31, 2021

Net Change in Fund Balance \$ 5,985,737

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:

| | | |
|----------------------|--------------|-----------|
| Capital outlay | \$ 2,497,203 | |
| Depreciation expense | (3,102,429) | |
| Loss on dispositions | (10,000) | |
| | (615,226) | (615,226) |

Net change in deferred outflows of resources not reported in the governmental fund statements related to:

| | | |
|------------------------------------|-----------|-----------|
| Pensions | 2,689,258 | |
| Other postemployment benefits | 1,310,490 | |
| Length of service award programs | 1,869,608 | |
| Loss on advanced refunding of debt | (10,862) | |
| | 5,858,494 | 5,858,494 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 7,796

The issuance of long-term debt and increase in obligations under capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

| | | |
|------------------------------|---------|---------|
| Repayment of bond principal | 655,000 | |
| Amortization of bond premium | 46,854 | |
| | 701,854 | 701,854 |

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. This includes:

| | | |
|---|-------------|-----------|
| Due to other governments | 89,222 | |
| Compensated absences | (129,820) | |
| Other postemployment benefits payable | (6,130,989) | |
| Net pension liability - proportionate share | 11,352,295 | |
| Length of service award programs liability | (2,401,880) | |
| Accrued interest | 5,875 | |
| | 2,784,703 | 2,784,703 |

Net change in deferred inflows of resources not reported in the governmental fund statements related to:

| | | |
|----------------------------------|--------------|--------------|
| Pensions | (13,715,938) | |
| Length of service award programs | 49,560 | |
| | (13,666,378) | (13,666,378) |

Change in Net Position of Governmental Activities \$ 1,056,980

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
 May 31, 2021

| | | <u>Custodial Fund</u> |
|--|--------------------|-----------------------|
| ASSETS | | |
| Cash | | \$ 152,151 |
| | Total Assets | <u>152,151</u> |
| LIABILITIES | | |
| Due to Bailees | | 74,024 |
| | Total Liabilities | <u>74,024</u> |
| NET POSITION | | |
| Restricted for individuals, organizations, and other governments | | <u>78,127</u> |
| | Total Net Position | <u>\$ 78,127</u> |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
 Year Ended May 31, 2021

| | | <u>Custodial Fund</u> |
|--|-----------------------------|-----------------------|
| ADDITIONS | | |
| Donations | | \$ 1,400 |
| Interest Earnings | | 13 |
| | | <u>1,413</u> |
| DEDUCTIONS | | |
| Disbursements for various community programs | | <u>3,378</u> |
| | Change in Net Position | <u>(1,965)</u> |
| Net Position at Beginning of Year as reported | | -0- |
| Cumulative Effect of Change in Accounting Principle | | <u>80,092</u> |
| Net Position at Beginning of the Year, as restated | | <u>80,092</u> |
| | Net Position at End of Year | <u>\$ 78,127</u> |

See notes to the financial statements.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies

The Incorporated Village of Southampton, New York ("Village") was established in 1894, and is governed by New York State Village Law and other general municipal laws of the State of New York and various local laws. The Village Board of Trustees is the legislative body responsible for overall operations and consists of the Mayor and four trustees elected for two-year terms. The Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Financial Officer. The Village provides a full range of municipal services including police, fire and ambulance protection, justice court, roads and highways, beach, parks and recreation, building department, and general and administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's significant accounting policies are described below:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the Village, b) organizations for which the Village is financially accountable and c) other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Village's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria the Village has no component units, either blended or discretely presented.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the Village as a whole, exclusive of the fiduciary activities.

In the government-wide Statement of Net Position, the Village's governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functional categories (general government support, public safety, health, transportation, culture and recreation, and home and community services), which are otherwise supported by general government revenues (real property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide Financial Statements (continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants to produce the net cost of each program. Program revenues include (a) charges for services and (b) operating and capital grants and contributions that are directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations have been made to prevent distortion of the direct costs and program revenues reported. Sales and purchases of goods and services for a price approximating their external value are not eliminated between the funds in the government-wide financial statements.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

C. Fund Financial Statements

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements. Accordingly, the Village maintains the following fund types:

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

The Village reports the following major governmental funds:

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

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

Special Revenue Fund - is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

Fiduciary Funds (Not included in government-wide financial statements) - Fiduciary Funds are used to account for assets held by the Village in a trustee or custodial capacity.

The Village reports the following fiduciary fund:

Custodial Fund - is used to account for amounts due to others collected through fundraising, as well as amounts due to others for bail.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the Fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenue when the expenditure is made and the amounts are expected to be collected within one year of the fiscal year end. A sixty day availability period is generally used for revenue recognition for most other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain claims and judgments, tax certiorari, net pension liabilities, LOSAP liability, and other postemployment benefit liability are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

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

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (continued)

Prepays – Prepays in the general fund represent insurance premiums paid for coverage and other vendor prepayments that will benefit the subsequent period.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the Village are depreciated using the straight-line method over the following estimated useful lives.

| <u>Class</u> | <u>Life in Years</u> |
|-------------------------|----------------------|
| Buildings | 20 - 50 |
| Land Improvements | 20 |
| Machinery and equipment | 5 - 20 |
| Vehicles | 7 - 20 |
| Infrastructure | 10-100 |

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Unearned Revenues – Unearned revenues arise when assets are received before revenue recognition criteria have been satisfied. In the government-wide financial statements and fund financial statements, unearned revenues consist of revenue received in advance and/or revenue from grants received before the eligibility requirements have been met.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity or net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In this category, the Village reports amounts related to pensions – New York State and Local Retirement System, which consists of differences between expected and actual experience, changes in assumptions, changes in proportion and differences between the Village's contributions and proportionate share of contributions and the Village's contributions made subsequent to the measurement date. The Village also reports amounts related to pensions - Length of Service Award Program, which consists of differences between expected and actual experience, changes in assumptions or other inputs, benefit payments and administrative expenses made subsequent to the measurement date. The Village also reports amounts related to other postemployment benefit obligations reported in the government-wide Statement of Net Position. This represents the differences between expected and actual experience, and changes of assumptions or other inputs.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity or net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. In this category, the Village reports amounts related to pensions – New York State and Local Retirement System, which consists of changes in assumptions, net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between the Village's contributions and proportionate share of contributions. The Village also reports amounts related to pensions - Length of Service Award Program, which consists of differences between expected and actual experience, and changes in assumptions or other inputs.

On the governmental funds Balance Sheet, the unavailable revenue related to real property taxes and other revenues which were not collected within the period of availability. These revenues are deferred in the governmental funds and will be recognized as an inflow of resources in the period that the amounts become available. On the government-wide Statement of Activities, these revenues are recognized as revenues in the period they are earned.

Long-Term Obligations – The liabilities for long-term obligations consisting of general obligation bonds payable, due to New York State and Local Retirement System, compensated absences, other postemployment benefits payable, net pension liability - proportionate share, and length of service award program liability are recognized in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of applicable bond premium or discount.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (continued)

Long-Term Obligations (continued)

In the fund statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures. Debt related to installment purchases are reported as other financing sources and expenditures in the governmental funds.

NET POSITION AND FUND BALANCE CLASSIFICATIONS

In the government-wide financial 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/amortization and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 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".

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are (a) nonspendable, (b) restricted, (c) committed, (d) assigned, or (e) unassigned.

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

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

- b) Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (continued)

NET POSITION AND FUND BALANCE CLASSIFICATIONS (continued)

- c) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision-making authority. The Village's highest decision-making authority is the Village Board, who by adoption of a Village ordinance prior to year-end, can commit fund balance. Those committed amounts cannot be used for any other purpose unless the Village Board removes or changes the specified use by taking the same type of action imposing the commitment.
- d) Assigned fund balance reflects the amounts constrained by the Village's "intent" to be used for specific purposes but are neither restricted nor committed. The Village Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- e) Unassigned fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

When outlays for a particular purpose can be funded from both restricted and unrestricted net position resources in the government-wide financial statements, it is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

F. REVENUES AND EXPENDITURES

Property Taxes – Village real property taxes and special assessments are levied on May 15 and are due in an annual installment on June 1. Payments must be received on or before July 1. Penalties are imposed thereafter at the rate of 5% for the first month and 1% per month thereafter. Unpaid taxes become a lien during the second week in February in the ensuing year. Property tax bills that relate to the ensuing fiscal year are recorded as deferred inflows of resources.

Interfund Transactions – Interfund transactions have been eliminated from the government-wide financial statements. In the fund statements interfund transactions include transfers. Transfers represent primarily the funding of capital projects.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

F. REVENUES AND EXPENDITURES (continued)

Compensated Absences – Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

The liability for vested or accumulated vacation or sick leave (compensated absences) is recorded as current and noncurrent obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. The compensated absence liability and expenditure is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

The amount that is expected to be liquidated with expendable available financial resources is reported as expenditure and a liability in the fund financial statements in the respective fund that will pay it.

Other Postemployment Benefits – In addition to providing pension benefits, the Village provides certain health insurance coverage and survivor benefits for retired employees and their survivors. The Village recognizes the cost of providing these benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid.

In addition, the Village provides life insurance benefits for volunteer firefighters. The benefits provide the fire fighters with either \$10,000 or \$20,000 in life insurance depending on the firefighter's age and vesting status. The Village is self-insured for these benefits and recognizes the cost of providing these benefits by recording the actual cost of the life insurance benefit as an expenditure in the governmental funds in the year paid.

The liability for these other postemployment benefits payable is recorded as a long-term liability in the government-wide statements.

New York State and Local Employees' Retirement Plan – The Village, as a participant in the New York State and Local Employees' Retirement System, recognizes the proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources in the government-wide financial statements, using the accrual basis of accounting, regardless of the amount recognized as pension expenditures in the fund financial statements. The amounts recognized have been determined on the same basis as reported by the System, utilizing the year end of March 31st.

G. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purpose, is employed in the governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

H. USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. ADOPTION OF ACCOUNTING STANDARD

The Village has adopted all of the current GASB statements that are applicable. The following statement had a significant impact on the financial statements:

GASB Statement No. 84, "*Fiduciary Activities*", establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus is generally on 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. The Statement establishes the four fiduciary funds that should be reported (as applicable): 1) pension and other employee benefit trust funds, 2) investment trust funds, 3) private purpose trust funds, and 4) custodial funds. This Statement also provides guidance for the recognition of a liability when an event has occurred that compels the government to disburse fiduciary resources. The Village has replaced Trust and Agency funds with the new Custodial funds and has included the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position in the basic financial statements.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through February 8, 2022, which is the date the financial statements were available to be issued.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 2 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The Village follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) No later than March 31st, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. The tentative budget includes proposed expenditures and the proposed means of financing for the general and library fund.
- b) After public hearings are conducted to obtain taxpayer comments, no later than May 1st, the Board of Trustees adopts the budget.
- c) All modifications of the budget must be approved by the Board of Trustees.
- d) Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

In June 2011, New York State enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions, which includes a 2.00% property tax cap for municipalities, however there are permitted exceptions and adjustments that can increase the property tax cap percentage. Beginning in 2012, no local government is authorized to increase its property tax levy by more than the calculated property tax cap; however, local governments can exceed the property tax cap limit by a 60% vote of the governing body and annually adopting a local law. In 2020-2021, the Village did not override the tax cap.

B. FUND EQUITY

The fund balance section of the balance sheets of the governmental funds focus on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The components of fund balance include the following items, as needed:

- (1) nonspendable, (2) restricted, (3) committed, (4) assigned, or (5) unassigned.

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

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 2 – Stewardship, Compliance and Accountability (continued)

B. FUND EQUITY (continued)

| | General Fund | Capital Projects Fund | Special Revenue Fund | Total |
|--------------------------|----------------------|-----------------------------|----------------------------|----------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | \$ 478,371 | | | \$ 478,371 |
| Total Nonspendable | <u>478,371</u> | \$ -0- | \$ -0- | <u>478,371</u> |
| Restricted for: | | | | |
| Grantor restrictions | | | | |
| Health | | | 9,119 | 9,119 |
| Transportation | | | 85,170 | 85,170 |
| Culture and recreation | | | 249,108 | 249,108 |
| Home and community | | | 467,079 | 467,079 |
| NYS Reserves | | | | |
| Insurance reserve | 50,181 | | | 50,181 |
| Employee benefit reserve | 1,053,082 | | | 1,053,082 |
| Service award program | 6,458,304 | | | 6,458,304 |
| Total Restricted | <u>7,561,567</u> | <u>-0-</u> | <u>810,476</u> | <u>8,372,043</u> |
| Assigned to: | | | | |
| Purchases on order | 627,156 | | | 627,156 |
| Capital projects | | 7,066,754 | | 7,066,754 |
| Total Assigned | <u>627,156</u> | <u>7,066,754</u> | <u>-0-</u> | <u>7,693,910</u> |
| Unassigned, reported in | | | | |
| General fund | 9,798,322 | | | 9,798,322 |
| Total Unassigned | <u>9,798,322</u> | <u>-0-</u> | <u>-0-</u> | <u>9,798,322</u> |
| Total Fund Balance | <u>\$ 18,465,416</u> | <u>\$ 7,066,754</u> | <u>\$ 810,476</u> | <u>\$ 26,342,646</u> |

Note 3 – Detailed Notes on All Funds

A. CASH AND CASH EQUIVALENTS

The Village investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks and trust companies located within the state. The Village is authorized to use certificates of deposit, savings, time, demand, and money market accounts. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for all bank or trust company accounts and certificate of deposit amounts in excess of amounts covered by federal deposit insurance. The collateral shall be delivered to the Village or a custodial bank with which the Village has entered into a custodial agreement. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

A. CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits/Investments - Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be unable to recover the value of its investments or collateral securities that are in possession of an outside party.

Deposits are disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name.

None of the Village's bank balances that were not covered by Federal deposit insurance were exposed to custodial credit risk as described above.

At May 31, 2021, the Village's cash book balances were \$24,386,946. The Village's bank deposit balances were \$24,588,532, of which \$905,615 was covered by the Federal Deposit Insurance Corporation, and \$23,682,917 was covered by collateral held by the Village's agent, a third-party financial institution, in the Village's name.

See Note 3.G. for information on the Restricted Length of Service Award Program (LOSAP) investments.

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances for the Village at May 31, 2021 primarily represent temporary borrowings that will be reimbursed subsequent to year end and are composed of the following:

| | Amount Receivable | Amount Payable |
|-----------------------|----------------------|-------------------|
| General fund | \$ 148,071 | \$ 7,325,964 |
| Capital projects fund | 7,325,964 | 146,809 |
| Special revenue fund | | 1,262 |
| Total | \$ 7,474,035 | \$ 7,474,035 |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

B. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Interfund transfer for the Village during the year ended May 31, 2021 represent funding for capital projects.

| | Transfers In | Transfers Out |
|-----------------------|-----------------|------------------|
| General fund | | \$ 5,301,800 |
| Capital projects fund | \$ 5,301,800 | |
| Total | \$ 5,301,800 | \$ 5,301,800 |

C. CAPITAL ASSETS

A summary of changes within the governmental capital assets for the year ended May 31, 2021 are as follows:

| | Balance 6/1/20 | Additions | Deletions / Reclassifications | Balance 5/31/21 |
|---|-------------------|--------------|----------------------------------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,819,893 | | | \$ 1,819,893 |
| Construction in progress | 5,955,439 | \$ 8,250 | \$ (5,840,458) | 123,231 |
| Total capital assets not being depreciated | 7,775,332 | 8,250 | (5,840,458) | 1,943,124 |
| Depreciable capital assets: | | | | |
| Buildings | 14,477,682 | 317,727 | 5,779,044 | 20,574,453 |
| Land Improvements | 5,315,795 | 2,290 | 47,225 | 5,365,310 |
| Machinery and equipment | 13,271,315 | 665,678 | | 13,936,993 |
| Vehicles | 12,508,913 | 122,201 | (84,461) | 12,546,653 |
| Infrastructure | 25,604,011 | 1,381,057 | 4,189 | 26,989,257 |
| Total depreciable capital assets | 71,177,716 | 2,488,953 | 5,745,997 | 79,412,666 |
| Less accumulated depreciation: | | | | |
| Buildings | 4,465,939 | 440,953 | | 4,906,892 |
| Land Improvements | 3,465,167 | 160,992 | | 3,626,159 |
| Machinery and equipment | 8,737,848 | 992,778 | | 9,730,626 |
| Vehicles | 7,997,011 | 660,645 | (84,461) | 8,573,195 |
| Infrastructure | 17,372,950 | 847,061 | | 18,220,011 |
| Total accumulated depreciation | \$42,038,915 | \$ 3,102,429 | \$ (84,461) | 45,056,883 |
| Total net depreciable capital assets | | | | 34,355,783 |
| Total net capital assets | | | | \$36,298,907 |
| Depreciation expense and loss on disposal was charged to governmental functions as follows: | | | | |
| General government support | | | | \$ 342,618 |
| Public safety | | | | 1,428,732 |
| Transportation | | | | 1,087,260 |
| Culture and recreation | | | | 253,819 |
| Total governmental activities depreciation expense | | | | \$ 3,112,429 |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

C. CAPITAL ASSETS (continued)

Depreciation is recorded on the straight-line basis over the estimated useful lives, in years, of the respective assets.

The Village evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At May 31, 2021, the Village has not recorded any such impairment losses.

D. INDEBTEDNESS

LONG-TERM DEBT

The following is a summary of changes in long-term debt liabilities for the year ended May 31, 2021:

| | Balance 06/01/20 | Increases | Reductions | Balance 05/31/21 | Non-Current Liabilities Due within One Year | Non-Current Liabilities |
|--|-----------------------|----------------------|----------------------|-----------------------|---|----------------------------|
| General obligation bonds | \$ 8,015,000 | | \$ 655,000 | \$ 7,360,000 | \$ 525,000 | \$ 6,835,000 |
| Premium on issuance | 378,917 | | 46,854 | 332,063 | | 332,063 |
| | 8,393,917 | - | 701,854 | 7,692,063 | 525,000 | 7,167,063 |
| Compensated absences | 6,514,760 | \$ 129,820 | | 6,644,580 | 838,677 | 5,805,903 |
| Due to State and Local Retirement System | 393,069 | | 89,222 | 303,847 | 94,512 | 209,335 |
| Net pension liability - proportionate share | 13,708,867 | | 11,352,295 | 2,356,572 | | 2,356,572 |
| Length of Service Award Programs | 7,962,019 | 2,573,529 | 171,649 | 10,363,899 | | 10,363,899 |
| Other postemployment benefits payable | 79,011,145 | 10,461,898 | 4,330,909 | 85,142,134 | | 85,142,134 |
| Totals | \$ 115,983,777 | \$ 13,165,247 | \$ 16,645,929 | \$ 112,503,095 | \$ 1,458,189 | \$ 111,044,906 |

The liabilities for long-term obligations consisting of general obligation bonds payable, due to Employees' Retirement System, compensated absences, due to state and local retirement system, other postemployment benefits payable, net pension liability - proportionate share and length of service award programs are liquidated through future budgetary appropriations in the general fund.

General Obligation Bonds - The Village borrows money in order to finance capital improvements. This enables the cost of capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the Village, are recorded as a governmental activity in the government-wide financial statements. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

D. INDEBTEDNESS (continued)

LONG-TERM DEBT (continued)

| Description | Original Date Issued | Original Amount | Interest Rate (%) | Final Maturity Date | Outstanding |
|--------------------------------|----------------------|-----------------|-------------------|---------------------|---------------------|
| Public Improvements - | 3/14/2019 | \$ 3,430,000 | 2.0%-5.0% | 4/1/2030 | \$ 2,930,000 |
| Public Improvements - | 3/8/2016 | 5,650,000 | 2.0%-3.0% | 3/1/2036 | 4,430,000 |
| Total General Obligation Bonds | | | | | <u>\$ 7,360,000</u> |

The following is a summary of general obligation bonds with corresponding maturity schedules:

Future principal and interest payments are as follows:

| | Principal | Interest | Total |
|---------------------------|---------------------|---------------------|---------------------|
| Years ending May 31, 2022 | \$ 525,000 | \$ 217,019 | \$ 742,019 |
| 2023 | 545,000 | 198,419 | 743,419 |
| 2024 | 565,000 | 178,969 | 743,969 |
| 2025 | 580,000 | 158,669 | 738,669 |
| 2026 | 605,000 | 137,768 | 742,768 |
| 2027-2031 | 2,900,000 | 434,181 | 3,334,181 |
| 2032-2036 | 1,640,000 | 147,000 | 1,787,000 |
| Total | <u>\$ 7,360,000</u> | <u>\$ 1,472,025</u> | <u>\$ 8,832,025</u> |

Prior Year Defeasance of Debt

In prior years, the Village defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Village's financial statements. At May 31, 2021, \$3,125,000 of bonds outstanding are considered defeased.

Compensated Absences

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts, the terms of which must comply with the current collective bargaining agreements. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, personal leave and sick leave at various rates subject to certain maximum limitations.

Estimated vacation, sick leave and compensatory absences accumulated by governmental fund type employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

D. INDEBTEDNESS (continued)

Due to New York State and Local Retirement System

Pursuant to Chapter 674 of the Laws of 2003, the State of New York allows participating employers to allow certain Tier 2 police officers and firefighters to retire early without a reduction upon the attainment of age 55. Electing this benefit results in a past service cost, which the Village can pay back over a period of 5 years.

Future principal and interest payments to maturity for past service cost are as follows:

| | Principal | Interest | Total Principal and Interest |
|--------------------------|------------|-----------|---------------------------------|
| Year Ending May 31, 2022 | \$ 94,512 | \$ 21,269 | \$ 115,781 |
| 2023 | 101,128 | 14,653 | 115,781 |
| 2024 | 108,207 | 7,575 | 115,782 |
| Total | \$ 303,847 | \$ 43,497 | \$ 347,344 |

E. RETIREMENT SYSTEM

New York State and Local Retirement System

The Village participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") which are collectively referred to as the New York State and Local Retirement System ("System"). These are cost-sharing, multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

E. RETIREMENT SYSTEM (continued)

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2021 are as follows:

| | Tier/Plan | Rate |
|------|-----------|-------|
| ERS | 3 A14 | 16.0% |
| | 4 A15 | 16.0 |
| | 5 A15 | 13.3 |
| | 6 A15 | 9.5 |
| | | |
| | Tier/Plan | Rate |
| PFRS | 2 384D | 26.0% |
| | 5 384D | 21.4 |
| | 6 384D | 16.0 |

At May 31, 2021, the Village reported the following for its proportionate share of the net pension liability for ERS and PFRS:

| | Measurement Date | Net Pension Liability | Employer Allocation Percentage | Change in Employer Allocation Percentage Since Prior Measurement Date |
|------|------------------|-----------------------|--------------------------------|---|
| ERS | March 31, 2021 | \$ 24,194 | 0.0242973% | 0.0002809% |
| PFRS | March 31, 2021 | \$ 2,332,378 | 0.1343322% | -0.0031659% |

The net pension liability was measured as of March 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members.

For the year ended May 31, 2021, the Village recognized its proportionate share of pension expense in the government-wide financial statements of \$597,870 for ERS, and \$1,258,362 for PFRS. Pension expenditures of \$977,275 for ERS and \$1,303,988 for PFRS were recorded in the fund financial statements and were charged to the general fund.

At May 31, 2021, the Village reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

E. RETIREMENT SYSTEM (continued)

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|--|--------------------------------|--------------|-------------------------------|--------------|
| | ERS | PFRS | ERS | PFRS |
| Differences between expected and actual experience | \$ 295,472 | \$ 517,542 | \$ -0- | \$ -0- |
| Changes of assumptions | 4,448,457 | 5,730,402 | 83,899 | -0- |
| Net difference between projected and actual earnings on pension plan investments | -0- | -0- | 6,949,881 | 6,858,222 |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | 67,553 | 304,717 | 7,850 | 232,661 |
| Village's contribution subsequent to the measurement date | 158,971 | 214,583 | -0- | -0- |
| Total | \$ 4,970,453 | \$ 6,767,244 | \$ 7,041,630 | \$ 7,090,883 |

The Village's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the plan's year ended March 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and PFRS will be recognized in pension expense as follows:

| | Governmental Activities | |
|----------------------------------|-------------------------|--------------|
| | ERS | PFRS |
| Plan years ending March 31, 2022 | \$ (397,875) | \$ (278,044) |
| 2023 | (131,169) | (13,874) |
| 2024 | (366,529) | (197,474) |
| 2025 | (1,334,575) | (1,167,147) |
| 2026 | 1,118,317 | 1,118,317 |
| | \$ (2,230,148) | \$ (538,222) |

The total pension liability for the ERS and PFRS as of the measurement date was determined by using an actuarial valuation date as noted below, with update procedures used to roll forward the total pension liabilities to that measurement date. Significant actuarial assumptions used in the valuation were as follows:

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

E. RETIREMENT SYSTEM (continued)

| | ERS | PFRS |
|--------------------------|--|--|
| Measurement date | March 31, 2021 | March 31, 2021 |
| Actuarial valuation date | April 1, 2020 | April 1, 2020 |
| Interest rate | 5.9% | 5.9% |
| Salary increases | 4.4% | 6.2% |
| Decrement tables | April 1, 2015 - March 31, 2020 System's Experience | April 1, 2015 - March 31, 2020 System's Experience |
| Inflation rate | 2.7% | 2.7% |

Annuitant mortality rates are based on the System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the valuation are based on the result of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Domestic equity | 32.0% | 4.05% |
| International equity | 15.0% | 6.30% |
| Private equity | 10.0% | 6.75% |
| Real estate | 9.0% | 4.95% |
| Opportunistic/absolute return strategies | 3.0% | 4.50% |
| Credit | 4.0% | 3.63% |
| Real assets | 3.0% | 5.95% |
| Fixed income | 23.0% | 0.00% |
| Cash | 1.0% | 0.50% |
| | <u>100.0%</u> | |

The real rate of return is net of the long-term inflation assumption of 2.7%.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

E. RETIREMENT SYSTEM (continued)

The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the Village's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (4.9%) or 1 percentage point higher (6.9%) than the current rate:

| | 1% Decrease (4.90%) | Current Assumption (5.90%) | 1% Increase (6.90%) |
|------|---------------------------|----------------------------------|---------------------------|
| ERS | \$ 6,715,260 | \$ 24,194 | \$ (6,146,535) |
| PFRS | 9,918,588 | 2,332,378 | (3,947,072) |

The components of the collective net pension liability as of the March 31, 2021 measurement date were as follows:

| | (Dollars in Thousands) | |
|---|------------------------|---------------|
| | ERS | PFRS |
| Valuation date | April 1, 2020 | April 1, 2020 |
| Employers' total pension liability | \$ 220,680,157 | \$ 41,236,775 |
| Plan fiduciary net position | (220,580,583) | (39,500,500) |
| Employers' net pension liability | \$ 99,574 | \$ 1,736,275 |
| Ratio of plan fiduciary net position to the Employers' total pension liability | 99.95% | 95.79% |

Employer contributions to ERS and PFRS are paid annually and cover the period through the end of the System's fiscal year, which is March 31st. Accrued retirement contributions as of May 31, 2021 represent the employer contribution for the period of April 1, 2021 through May 31, 2021 based on paid ERS and PFRS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly. Accrued retirement contributions to ERS and PFRS were \$158,971 and \$214,583 respectively as of May 31, 2021.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”)

Plan Description

The Village sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses through the New York State Health Insurance Plan (NYSHIP) (the “Plan”). Substantially all of the Village’s employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The Village does not issue a publicly available financial report for the Plan, however, the financial activities of NYSHIP are included with the statements of the State of New York.

Benefits Provided

The Village contributes 100% of the cost of premiums for eligible retired plan members hired prior to January 1995. For those hired after January 1995, plan members will contribute 50% of the premium if they have less than 10 years of service, 30% if they have between 10 and 19 years of service, and 20% if they have 20 or more years of service. Upon the death of the employee, surviving spouses must pay 100% of the premium. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid.

Employees Covered by Benefit Terms

The number of participants as of June 1, 2020, the effective date of the OPEB valuation, is as follows:

| | |
|-------------------------------------|------------|
| Active employees | 114 |
| Inactive employees or beneficiaries | |
| currently receiving benefits | 82 |
| Total | <u>196</u> |

There have been no significant changes in the number of participants or the type of coverage since the last published valuation.

Total OPEB Liability

The Village’s total OPEB liability of \$85,142,134 was measured as of May 31, 2021 and was determined by an actuarial valuation as of June 1, 2020, with update procedures used to rollforward the OPEB liability to the measurement date.

Funding Policy

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

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (continued)

Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The total OPEB liability in the June 1, 2020 valuation was determined using the following actuarial assumptions and other inputs:

| | |
|-----------------------------|--|
| Salary increases | 2.5% |
| Discount rate | 2.0% |
| Healthcare cost trend rates | |
| Pre-65 | 6.25% for January 1, 2020, decreasing per year to an ultimate rate of 4.5% in 2026 |
| Post-65 | 7.25% for January 1, 2020, decreasing per year to an ultimate rate of 4.5% in 2026 |

The discount rate was based on the 20 Year AA Municipal GO Bond Rate Index as of June 1, 2020 for the rate as of June 1, 2020. The discount rate as of May 31, 2021 was based on the same index as of May 31, 2021.

Mortality rates were based on the SOA RP-2014 Total Dataset.

The decrement tables used for this valuation are based on the New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS).

The actuarial assumptions used in the June 1, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable.

Changes in the Total OPEB Liability

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

| | |
|---|----------------------|
| Other Postemployment Liability at the Beginning of Year | <u>\$ 79,011,145</u> |
| Changes for the Year: | |
| Service Cost | 3,292,686 |
| Interest | 1,953,160 |
| Differences Between Expected and Actual Experience | 5,216,052 |
| Changes of Assumptions and Other Inputs | (2,561,419) |
| Benefit Payments | <u>(1,769,490)</u> |
| Net Change | <u>6,130,989</u> |
| Other Postemployment Liability at the End of Year | <u>\$ 85,142,134</u> |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

F. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.0%) or 1-percentage-point higher (3.0%) than the current discount rate:

| | 1% Decrease (1.0%) | Current Discount Rate (2.0%) | 1% Increase (3.0%) |
|----------------------|-----------------------|---------------------------------|-----------------------|
| Total OPEB Liability | \$ 104,886,695 | \$ 85,142,134 | \$ 70,292,642 |

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

| | 1% Decrease (4.75% to 3.50%) | Health Care Cost Trend Rates (5.75% to 4.50%) | 1% Increase (6.75% to 5.50%) |
|----------------------|---------------------------------|--|---------------------------------|
| Total OPEB Liability | \$ 68,005,058 | \$ 85,142,134 | \$ 108,723,139 |

OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended May 31, 2021, the Village recognized OPEB expense of \$6,589,989. At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB as shown below:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 4,470,902 | \$ - |
| Changes of assumptions or other inputs | 1,664,135 | - |
| Total Deferred Outflows - OPEB | \$ 6,135,037 | \$ - |

The amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|-----------------------------------|--------------|
| For the years ending May 31, 2022 | \$ 1,344,143 |
| 2023 | 1,344,143 |
| 2024 | 1,344,143 |
| 2025 | 1,344,140 |
| 2025 | 379,233 |
| 2027 | 379,235 |
| | \$ 6,135,037 |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers

The Village established defined benefit plans, Length of Service Awards Programs (“LOSAP/Plans/Programs”), for the active volunteer firefighters of the Village of Southampton Volunteer Fire Department and active volunteer ambulance workers.

Firefighters

The Village established a LOSAP for active volunteer firefighters of the Village of Southampton Volunteer Fire Department. The Program took effect on July 1, 1991. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the Program, and the program administrator.

Volunteer Ambulance Workers

The Village established a LOSAP for active volunteer ambulance workers. The Program took effect on January 1, 1997. The Program was established pursuant to Article 11-AA of the General Municipal Law. The Program provides municipally funded deferred compensation to volunteer ambulance workers to facilitate the recruitment and retention of active volunteer ambulance workers. The Village is the sponsor of the Program, and the program administrator.

Program Description

Participation, Vesting and Service Credit

Active volunteer firefighters and volunteer ambulance workers who have reached the age of 18 and who have completed the sponsor's required probationary period are eligible to participate in their respective program. Participants acquire a non forfeitable right to a service award after being credited with 5 years of service or upon attaining their program's entitlement age. Each program's entitlement age is age is 65 with 1 year of plan participation. In general, an active volunteer firefighter or volunteer ambulance worker is credited with a year of service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of statutory list of activities and point values. A participant may also receive credit for 5 years of service rendered prior to the establishment of the program.

Participants

As of December 31, 2020, the measurement date, the following participants were covered by the benefit terms:

| | Firefighters | Volunteer Ambulance Workers |
|--|--------------|-----------------------------------|
| Inactive participants currently receiving benefit payments | 27 | 9 |
| Inactive participants entitled to but not yet receiving benefit payments | 22 | 34 |
| Active participants | 111 | 66 |
| | 160 | 109 |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers (continued)

Benefits

A participant's service award is paid as a ten-year certain and continuous monthly payment life annuity. The amount payable each month equals the accrual rate multiplied by the total number of years of service credit earned by the participant.

Firefighters - the accrual rate is \$30 for service credit earned in 2006 and later and \$20 for service credit earned prior to 2006. The maximum number of years of service credit a participant may earn under the program is 30 years.

Ambulance workers - the accrual rate is \$30 for service credit earned in 2014 and later and \$20 for service credit earned prior to 2014. The maximum number of years of service credit a participant may earn under the program is 40 years.

Currently, there are no other forms of payment of a volunteer's earned service award under the program.

Except in the case of pre-entitlement age death or total and permanent disablement, a participant's service award will not be paid until he or she attains the entitlement age. Volunteers who are active after attaining the entitlement age and who may have commenced receiving a service award have the opportunity to earn service credit and, thereby, increase their service award payments. The pre-entitlement age death and disability benefit is equal to the actuarial value of the participant's earned service award at the time of death or disablement. All death and disability benefits are self-insured by the plans. The programs do not provide extra line-of-duty death or disability benefits.

Fiduciary Investment and Control

Authority to invest the Program assets is vested in the Program Trustee. Program assets are invested in accordance with a statutory prudent person rule and in accordance with an investment policy adopted by the Board of Trustees.

The Board of Trustees is required to retain an actuary to determine the amount of the Village's contributions to the program. The actuarial firm retained by the Village for this purpose is Penflex, Inc. Portions of the following information are derived from the January 1, 2021 Annual Report prepared by Penflex, Inc. The actuary also provided additional calculations for the length of service program liability under GASB Statement No. 73.

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers (continued)

Plan Financial Condition

| Investments by fair value level <u>Assets Available for Benefits</u> | <u>May 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|---------------------|---------------------|---------------------|----------------|
| Cash and cash equivalents | \$ 391,728 | \$ 391,728 | | |
| Debt securities | 2,083,761 | 2,083,761 | | |
| Equity securities | 2,903,657 | 2,903,657 | | |
| Share of pooled investment | 1,079,158 | | \$ 1,079,158 | |
| Total Assets Available for Benefits | \$ 6,458,304 | \$ 5,379,146 | \$ 1,079,158 | \$ -0- |

The Village categorizes the fair value measurements into the fair value hierarchy established by GASB Statement No. 72. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Village has the ability to access.
- Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that reflect the Village's own assumptions about the assumptions that market participants would use in pricing an asset.

The fair value measurement level within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Custodial Credit Risk - LOSAP Investments

Credit Risk - State law limit investments to those authorized by State statutes. The Village currently does not have a written investment policy for the LOSAP Plan Assets.

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

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

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers (continued)

Plan Financial Condition (continued)

Receipts and Disbursements

| | <u>Firefighters</u> | <u>Volunteer Ambulance Workers</u> |
|--------------------------------|---------------------|--|
| Plan Assets, beginning of year | \$ 4,371,692 | \$ 846,822 |
| Changes during the year: | | |
| Plan contributions | 347,468 | 52,354 |
| Investment income | 845,788 | 213,816 |
| Benefits paid/payable | (185,802) | (28,899) |
| Administrative expense | (4,935) | (4,935) |
| Plan assets, end of year | <u>\$ 5,379,146</u> | <u>\$ 1,079,158</u> |

Contributions

New York State General Municipal Law Section 219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarial cost method used to determine the required contribution was the Entry Age Normal Method.

The amount of the Village's contribution recommended by the actuary for the year ended December 31, 2020 was \$318,358 for the firefighters LOSAP, and \$66,532 for the volunteer ambulance workers LOSAP.

Program Expense and Administration Fees

| | <u>Firefighters</u> | <u>Volunteer Ambulance Workers</u> |
|--|---------------------|--|
| Service cost | \$ 161,453 | \$ 71,608 |
| Interest on total pension liability | 225,537 | 38,824 |
| Changes of assumptions or other inputs | 169,489 | 32,160 |
| Differences between expected and actual experience | (887) | (4,044) |
| Pension plan administrative expenses | 1,473 | 4,264 |
| Total LOSAP pension expense | <u>\$ 557,065</u> | <u>\$ 142,812</u> |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers (continued)

Plan Financial Condition (continued)

Program Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Program

| | <u>Firefighters</u> | <u>Volunteer Ambulance Workers</u> |
|--|---------------------|--|
| Service cost | \$ 161,453 | \$ 71,608 |
| Interest | 225,537 | 38,824 |
| Changes of assumptions or other inputs | 1,602,306 | 380,391 |
| Differences between expected and actual experience | 44,965 | 48,445 |
| Benefits payments | (143,199) | (28,450) |
| Net change in total LOSAP liabilities | 1,891,062 | 510,818 |
| Total LOSAP liabilities, beginning of year | 6,828,470 | 1,133,549 |
| Total LOSAP liabilities end of year | <u>\$ 8,719,532</u> | <u>\$ 1,644,367</u> |

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|--|--------------------------------------|--|
| | <u>Firefighters</u> | <u>Volunteer Ambulance Workers</u> | <u>Firefighters</u> | <u>Volunteer Ambulance Workers</u> |
| Differences between expected and actual experience | \$ 45,702 | \$ 46,074 | \$ 58,856 | \$ 90,935 |
| Changes of assumptions or other inputs | 2,147,801 | 494,318 | 371,426 | 78,710 |
| Benefit payments and administrative expenses subsequent to the measurement date | 94,847 | 11,854 | -0- | -0- |
| Total | <u>\$ 2,288,350</u> | <u>\$ 552,246</u> | <u>\$ 430,282</u> | <u>\$ 169,645</u> |

Contributions subsequent to the measurement date will be recognized as a reduction of the total LOSAP pension liability in the year ended May 31, 2022.

Program Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Program (continued)

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

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
 May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

G. LENGTH OF SERVICE AWARD PROGRAMS – Firefighters and Volunteer Ambulance Workers (continued)

Plan Financial Condition (continued)

| | Firefighters | Volunteer Ambulance Workers |
|--------------------------|---------------------|-----------------------------------|
| Years ended May 31, 2022 | \$ 168,602 | \$ 28,116 |
| 2023 | 168,602 | 28,116 |
| 2024 | 168,602 | 28,116 |
| 2025 | 168,602 | 28,116 |
| 2026 | 168,602 | 28,116 |
| Thereafter | 920,211 | 230,167 |
| | <u>\$ 1,763,221</u> | <u>\$ 370,747</u> |

Funding Methodology and Actuarial Assumptions

| | |
|--------------------------|-------------------|
| Measurement date | December 31, 2020 |
| Actuarial valuation date | December 31, 2020 |
| Actuarial cost method | Entry Age Normal |
| Salary scale | None assumed |
| Inflation rate | 2.25% |
| Discount rate | 1.93% |

Mortality rates for the firefighters LOSAP were based on the RP-2014 Male Mortality Table without projection for improvement.

Mortality rates for the volunteer ambulance workers LOSAP were based on the RP-2014 Mortality Table (60/40 male/female blend) projected for mortality improvement to the year 2025 with scale MP2020.

Yield to maturity of S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

Sensitivity of the Total LOSAP Pension Liability

| | 1% Decrease (0.93%) | Current Assumption (1.93%) | 1% Increase (2.93%) |
|-----------------------------|---------------------------|----------------------------------|---------------------------|
| Firefighters | \$ 10,262,280 | \$ 8,719,532 | \$ 7,474,566 |
| Volunteer ambulance workers | 2,033,725 | 1,644,367 | 1,346,553 |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 3 – Detailed Notes on All Funds (continued)

H. COMPENSATED ABSENCES

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave, subject to certain limitations.

Estimated vacation, sick leave and compensatory absences accumulated by Village employees have been recorded in the Statement of Net Position. Payment of vacation time and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of May 31, 2021, the value of the accumulated vacation time and sick leave was \$6,644,580.

Note 4 – Commitments and Contingencies

A. GRANTS

The Village has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for return of funds. The Village's administration believes disallowances, if any, will be immaterial.

B. LITIGATION

The Village is involved in lawsuits arising from the normal conduct of its affairs. Management believes the outcome of any matters will not have a material affect on these financial statements.

C. ENCUMBRANCES

At May 31, 2021, the Village encumbered the following amounts, all of which are included in assigned fund balance in the respective funds:

| | |
|----------------------------|-----------------------------|
| Capital Projects Fund: | |
| Capital projects | <u>\$285,489</u> |
| General Fund: | |
| General government support | 395,393 |
| Public safety | 92,461 |
| Health | 26,457 |
| Transportation | 68,032 |
| Culture and recreation | <u>44,813</u> |
| | <u>627,156</u> |
| Total Encumbrances | <u><u>\$912,645</u></u> |

INCORPORATED VILLAGE OF SOUTHAMPTON
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

Note 5 – New Pronouncements

The following statements have been issued by the GASB and are to have the most impact in future years:

GASB Statement No. 87, “Leases”, as amended by GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*”, establishes a single model for lease accounting based on the concept that leases are a financing of a “right-to-use” underlying asset. As such, this Statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. A lessor will be required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the Village believes will most impact its financial statements. The Village will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

Note 6 – Cumulative Effect of Change in Accounting Principle

The Village implemented the provisions of GASB Statement No. 84, “*Fiduciary Activities*,” for the year ended May 31, 2021. Certain amounts previously reported as liabilities in the Village’s Trust and Agency Fund are now being reported as restricted net position within the Custodial Fund. As a result, the Village has reported a cumulative effect of change in accounting principle of \$80,092 to the June 1, 2020 net position of the Custodial Fund.

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

Notes to Required Supplementary Information

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceeded budgeted amounts, additional budgetary appropriations are made. The capital projects are budgeted on a per project basis.

INCORPORATED VILLAGE OF SOUTHAMPTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Final Budget | Actual | Encum- brances | Variance Positive (Negative) |
|--|---------------------|-----------------------|----------------------|---------------------|------------------------------------|
| REVENUES | | | | | |
| Real property taxes | \$ 25,584,187 | \$ 25,584,187 | \$ 25,582,851 | | \$ (1,336) |
| Other real property tax items | 130,000 | 130,000 | 242,186 | | 112,186 |
| Non-property tax items | 385,000 | 385,000 | 544,807 | | 159,807 |
| Departmental income | 2,607,000 | 2,115,484 | 2,823,569 | | 708,085 |
| Intergovernmental charges | 1,471,626 | 1,471,626 | 1,292,610 | | (179,016) |
| Use of money and property | 117,750 | 117,750 | 35,968 | | (81,782) |
| Licenses and permits | 185,000 | 185,000 | 137,064 | | (47,936) |
| Fines and forfeitures | 400,000 | 120,000 | 363,546 | | 243,546 |
| Sale of property and compensation for loss | 120,000 | 125,500 | 159,714 | | 34,214 |
| Miscellaneous local sources | 286,500 | 328,854 | 1,459,099 | | 1,130,245 |
| State aid | 1,162,000 | 1,162,000 | 2,659,402 | | 1,497,402 |
| Federal aid | 16,000 | 16,000 | | | (16,000) |
| Total Revenues | <u>32,465,063</u> | <u>31,741,401</u> | <u>35,300,816</u> | | <u>3,559,415</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government support | 6,315,158 | 5,985,711 | 5,415,999 | \$ 395,393 | 174,319 |
| Public safety | 9,377,910 | 9,422,540 | 9,162,244 | 92,461 | 167,835 |
| Health | 631,393 | 627,993 | 489,367 | 26,457 | 112,169 |
| Transportation | 3,012,375 | 2,605,040 | 2,274,558 | 68,032 | 262,450 |
| Culture and recreation | 1,567,028 | 1,581,782 | 1,528,788 | 44,813 | 8,181 |
| Home and community services | 397,984 | 370,984 | 325,922 | | 45,062 |
| Employee benefits | 9,480,737 | 9,464,846 | 8,707,043 | | 757,803 |
| Debt service | | | | | |
| Principal | 655,000 | 655,000 | 655,000 | | -0- |
| Interest | 242,269 | 242,269 | 242,269 | | -0- |
| Total Expenditures | <u>31,679,854</u> | <u>30,956,165</u> | <u>28,801,190</u> | <u>627,156</u> | <u>1,527,819</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>785,209</u> | <u>785,236</u> | <u>6,499,626</u> | <u>(627,156)</u> | <u>5,087,234</u> |
| OTHER FINANCING USES | | | | | |
| Transfers out | (975,000) | (5,301,800) | (5,301,800) | | -0- |
| Total Other Financing Uses | <u>(975,000)</u> | <u>(5,301,800)</u> | <u>(5,301,800)</u> | <u>-0-</u> | <u>-0-</u> |
| Net Change in Fund Balance | <u>\$ (189,791)</u> | <u>\$ (4,516,564)</u> | <u>1,197,826</u> | <u>\$ (627,156)</u> | <u>\$ 5,087,234</u> |
| Fund Balance at Beginning of Year | | | <u>17,267,590</u> | | |
| Fund Balance at End of Year | | | <u>\$ 18,465,416</u> | | |

INCORPORATED VILLAGE OF SOUTHAMPTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OTHER
POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS (OPEB)
 May 31, 2021

| <u>OPEB</u> | <u>May 31, 2021</u> | <u>May 31, 2020</u> | <u>May 31, 2019</u> |
|--|----------------------|----------------------|----------------------|
| Other postemployment benefit liability at the beginning of the year | \$ 79,011,145 | \$ 75,419,013 | \$ 65,347,512 |
| Service cost | 3,292,686 | 2,633,156 | 2,633,156 |
| Interest | 1,953,160 | 2,397,323 | 2,323,008 |
| Differences between expected and actual experience | 5,216,052 | -0- | -0- |
| Changes in assumptions and other inputs | (2,561,419) | -0- | 6,754,367 |
| Benefit payments | (1,769,490) | (1,438,347) | (1,639,030) |
| Net Changes | <u>6,130,989</u> | <u>3,592,132</u> | <u>10,071,501</u> |
| Other postemployment benefit liability at the end of the year | <u>\$ 85,142,134</u> | <u>\$ 79,011,145</u> | <u>\$ 75,419,013</u> |
| Covered employee payroll | \$ 10,755,363 | \$ 10,297,076 | \$ 10,297,076 |
| Total other postemployment benefit liability as a percentage of covered employee payroll | 791.62% | 767.32% | 732.43% |

Note: This schedule is intended to show information for 10 years. Since 2019 is the first year for this presentation, no data prior to 2019 is available. However, additional years will be included as they become available.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay other postemployment benefits (OPEB).

The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Changes in Benefit Terms

None

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

| | |
|------|------|
| 2021 | 2.0% |
| 2020 | 3.1% |
| 2019 | 3.1% |
| 2018 | 3.6% |

INCORPORATED VILLAGE OF SOUTHAMPTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS - PENSION PLAN
May 31, 2021

NYSERS

Years Ended May 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 977,275 | \$ 968,844 | \$ 938,963 | \$ 957,247 | \$ 970,446 | \$ 1,076,226 | \$ 1,115,759 | \$ 1,122,740 | \$ 1,030,401 | \$ 770,707 |
| Contributions in relation to the contractually required contribution | 977,275 | 968,844 | 938,963 | 957,247 | 970,446 | 1,076,226 | 1,115,759 | 1,122,740 | 1,030,401 | 770,707 |
| Contribution deficiency (excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Village's covered-employee payroll | \$ 7,084,479 | \$ 6,946,181 | \$ 6,629,915 | \$ 6,514,783 | \$ 6,383,825 | \$ 5,687,269 | \$ 5,464,400 | \$ 5,327,494 | \$ 5,362,842 | \$ 4,891,842 |
| Contributions as a percentage of covered-employee payroll | 13.79% | 13.95% | 14.16% | 14.69% | 15.20% | 18.92% | 20.42% | 21.07% | 19.21% | 15.75% |

NYSPFRS

For the Years Ended May 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,304,166 | \$ 1,244,236 | \$ 1,105,866 | \$ 1,090,770 | \$ 1,117,236 | \$ 1,044,190 | \$ 1,095,368 | \$ 1,264,321 | \$ 957,494 | \$ 751,649 |
| Contributions in relation to the contractually required contribution | 1,304,166 | 1,244,236 | 1,105,866 | 1,090,770 | 1,117,236 | 1,044,190 | 1,095,368 | 1,264,321 | 957,494 | 751,649 |
| Contribution deficiency (excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Villages's covered-employee payroll | \$ 5,491,993 | \$ 5,029,441 | \$ 4,915,428 | \$ 4,685,828 | \$ 4,533,316 | \$ 4,128,292 | \$ 4,017,601 | \$ 4,125,694 | \$ 3,842,334 | \$ 3,927,489 |
| Contributions as a percentage of covered-employee payroll | 23.75% | 24.74% | 22.50% | 23.28% | 24.65% | 25.29% | 27.26% | 30.65% | 24.92% | 19.14% |

Notes:

The amounts presented for each year are determined as of the year ending May 31st and the contractually required contributions are based on the amounts invoiced by the New York State Local Retirement System.

INCORPORATED VILLAGE OF SOUTHAMPTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PENSION PLAN
 May 31, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| NYSERS | | | | | | |
| Village's proportion of the collective net pension liability | 0.0242973% | 0.0240164% | 0.0237508% | 0.0236014% | 0.0243149% | 0.0222587% |
| Village's proportionate share of the net collective pension liability | \$ 24,194 | \$ 6,359,679 | \$ 1,682,817 | \$ 761,721 | \$ 2,284,684 | \$ 3,572,582 |
| Village's covered-employee payroll | \$ 7,081,106 | \$ 6,946,181 | \$ 6,629,915 | \$ 6,514,483 | \$ 6,383,825 | \$ 5,687,269 |
| Village's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll | 0.34% | 91.56% | 25.38% | 11.69% | 35.79% | 62.82% |
| Plan fiduciary net position as a percentage of the total pension liability coming from plan | 99.95% | 86.39% | 96.27% | 98.24% | 94.70% | 90.68% |
| NYSPPRS | | | | | | |
| Village's proportion of the collective net pension liability | 0.1343322% | 0.1374981% | 0.1377316% | 0.1396923% | 0.1383003% | 0.1366116% |
| Village's proportionate share of the net collective pension liability | \$ 2,332,378 | \$ 7,349,188 | \$ 2,309,847 | \$ 1,411,949 | \$ 2,866,484 | \$ 4,044,779 |
| Village's covered-employee payroll | \$ 5,450,395 | \$ 5,029,441 | \$ 4,915,428 | 4,685,828 | \$ 4,533,316 | \$ 4,128,292 |
| Village's proportionate share of the net collective pension liability as a percentage of its covered-employee payroll | 42.79% | 146.12% | 46.99% | 30.13% | 63.23% | 97.98% |
| Plan fiduciary net position as a percentage of the total pension liability coming from plan | 95.79% | 84.86% | 95.09% | 96.93% | 93.46% | 90.24% |

Notes:

Amounts presented above were determined as of the Systems' measurement date of March 31st.

There were no significant changes in benefits for the years presented above.

Changes in assumptions were as follows:

- a) The discount rate used to calculate the total pension liability was decreased from 6.8% to 5.9% for both ERS and PFRS effective with the March 31, 2021 measurement date.

Amounts presented are based on the fiscal year related to the measurement date of March 31st.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village presents information for those years for which information is available.

INCORPORATED VILLAGE OF SOUTHAMPTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE LENGTH OF SERVICE AWARD PROGRAM -
TOTAL PENSION LIABILITY
May 31, 2021

| Measurement date as of December 31, | Firefighters | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Service cost | \$ 161,453 | \$ 161,842 | \$ 229,749 | \$ 194,450 |
| Interest | 225,537 | 228,523 | 206,583 | 213,305 |
| Changes of assumptions or other inputs | 1,602,306 | 375,217 | (463,516) | 501,999 |
| Differences between expected and actual experience | 44,965 | 5,421 | (40,452) | (36,325) |
| Benefit payments | (143,199) | (117,573) | (130,009) | (111,486) |
| Net Change in Total LOSAP Pension Liability | 1,891,062 | 653,430 | (197,645) | 761,943 |
| Total LOSAP Pension Liability - beginning of year | 6,828,470 | 6,175,040 | 6,372,685 | 5,610,742 |
| Total LOSAP Pension Liability - end of year | \$ 8,719,532 | \$ 6,828,470 | \$ 6,175,040 | \$ 6,372,685 |

| Measurement date as of December 31, | Volunteer Ambulance Workers | | | |
|--|------------------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Service cost | \$ 71,608 | \$ 66,860 | \$ 77,869 | \$ 57,273 |
| Interest | 38,824 | 39,538 | 36,651 | 35,823 |
| Changes of assumptions or other inputs | 380,391 | 77,400 | (97,753) | 103,653 |
| Differences between expected and actual experience | 48,445 | (55,901) | (53,220) | 1,224 |
| Benefit payments | (28,450) | (27,369) | (25,029) | (23,529) |
| Net Change in Total LOSAP Pension Liability | 510,818 | 100,528 | (61,482) | 174,444 |
| Total LOSAP Pension Liability - beginning of year | 1,133,549 | 1,033,021 | 1,094,503 | 920,059 |
| Total LOSAP Pension Liability - end of year | \$ 1,644,367 | \$ 1,133,549 | \$ 1,033,021 | \$ 1,094,503 |

Notes:

The above information was not available prior to December 31, 2017 measurement date. Additional years will be included as the information becomes available.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

Covered-employee payroll is not applicable to the above LOSAP plan since the participants are volunteer firefighters and volunteer ambulance workers.

Benefits are determined based on service credits earned.

Changes of assumptions or other inputs. The discount rates used to measure the total LOSAP pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

| | |
|-------------------|-------|
| December 31, 2020 | 1.93% |
| December 31, 2019 | 3.26% |
| December 31, 2018 | 3.64% |
| December 31, 2017 | 3.16% |
| December 31, 2016 | 3.71% |

OTHER SUPPLEMENTARY INFORMATION

Notes to Other Supplementary Information

The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceeded budgeted amounts, additional budgetary appropriations are made. The capital projects are budgeted on a per project basis.

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|-------------------|-------------------|------------------------------------|
| Revenues | | | | |
| Real Property Tax Items: | | | | |
| Real property taxes - current | \$ 25,584,187 | \$ 25,584,187 | \$ 25,582,851 | \$ (1,336) |
| Total Real Property Tax Items | <u>25,584,187</u> | <u>25,584,187</u> | <u>25,582,851</u> | <u>(1,336)</u> |
| Other Real Property Tax Items: | | | | |
| Interest and penalties on real property taxes | 130,000 | 130,000 | 242,186 | 112,186 |
| Total Other Real Property Tax Items | <u>130,000</u> | <u>130,000</u> | <u>242,186</u> | <u>112,186</u> |
| Non-Property Tax Items: | | | | |
| Utilities gross receipts tax | 385,000 | 385,000 | 544,807 | 159,807 |
| Total Non-Property Tax Items | <u>385,000</u> | <u>385,000</u> | <u>544,807</u> | <u>159,807</u> |
| Departmental Income: | | | | |
| Charges for tax redemption | -0- | -0- | 1,265 | 1,265 |
| Public safety - fees | 1,512,000 | 1,213,754 | 1,884,528 | 670,774 |
| Public health fees (Certificates) | 32,000 | 32,000 | 30,972 | (1,028) |
| Park and recreational charges | 888,000 | 694,730 | 792,765 | 98,035 |
| Zoning fees | 50,000 | 50,000 | 27,419 | (22,581) |
| Planning fees | 75,000 | 75,000 | 71,085 | (3,915) |
| Impound storage fees | 25,000 | 25,000 | 6,875 | (18,125) |
| Towing fees | 25,000 | 25,000 | 8,660 | (16,340) |
| Total Departmental Income | <u>2,607,000</u> | <u>2,115,484</u> | <u>2,823,569</u> | <u>708,085</u> |
| Intergovernmental Charges: | | | | |
| Burglar alarm - other governments | 75,000 | 75,000 | 86,345 | 11,345 |
| Public safety dispatch - other governments | 191,282 | 191,282 | 191,312 | 30 |
| Fire protection services - other governments | 1,205,344 | 1,205,344 | 1,014,953 | (190,391) |
| Total Intergovernmental Charges | <u>1,471,626</u> | <u>1,471,626</u> | <u>1,292,610</u> | <u>(179,016)</u> |
| Use of Money and Property: | | | | |
| Interest earnings | 75,000 | 75,000 | 35,968 | (39,032) |
| Rental of real property | 42,750 | 42,750 | -0- | (42,750) |
| Total Use of Money and Property | <u>117,750</u> | <u>117,750</u> | <u>35,968</u> | <u>(81,782)</u> |
| Licenses and Permits: | | | | |
| Heliport fees | 115,000 | 115,000 | 57,351 | (57,649) |
| Permits | 70,000 | 70,000 | 79,713 | 9,713 |
| Total Licenses and Permits | <u>185,000</u> | <u>185,000</u> | <u>137,064</u> | <u>(47,936)</u> |
| Fines and Forfeitures: | | | | |
| Fines and forfeited bail | 400,000 | 120,000 | 363,546 | 243,546 |
| Total Fines and Forfeitures | <u>400,000</u> | <u>120,000</u> | <u>363,546</u> | <u>243,546</u> |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| Revenues (continued) | | | | |
| Sale of Property and Compensation for Loss: | | | | |
| Sales of equipment | 60,000 | 60,000 | 68,374 | 8,374 |
| Sales of garbage bags | -0- | -0- | 61 | 61 |
| Insurance recoveries | 60,000 | 65,500 | 91,279 | 25,779 |
| Total Sale of Property and Compensation for Loss | <u>120,000</u> | <u>125,500</u> | <u>159,714</u> | <u>34,214</u> |
| Miscellaneous Local Sources: | | | | |
| Refund of prior year expenditures | 10,000 | 10,000 | 1,599 | (8,401) |
| AIM related payment (includes Cty Sales Tax) | 260,000 | 260,000 | 335,177 | 75,177 |
| Gifts and donations | 16,500 | 16,500 | 62,704 | 46,204 |
| Other unclassified revenues | -0- | 42,354 | 1,059,619 | 1,017,265 |
| Total Miscellaneous Local Sources | <u>286,500</u> | <u>328,854</u> | <u>1,459,099</u> | <u>1,130,245</u> |
| State Aid: | | | | |
| Mortgage tax | 775,000 | 775,000 | 1,651,037 | 876,037 |
| Consolidated highway aid | 300,000 | 300,000 | 331,512 | 31,512 |
| Other | 87,000 | 87,000 | 676,853 | 589,853 |
| Total State Aid | <u>1,162,000</u> | <u>1,162,000</u> | <u>2,659,402</u> | <u>1,497,402</u> |
| Federal Aid: | | | | |
| Home and Community | 16,000 | 16,000 | -0- | (16,000) |
| Total Federal Aid | <u>16,000</u> | <u>16,000</u> | <u>-0-</u> | <u>(16,000)</u> |
| Total Revenues | <u>32,465,063</u> | <u>31,741,401</u> | <u>35,300,816</u> | <u>3,559,415</u> |
| Total Revenues and Other Financing Sources | <u>\$ 32,465,063</u> | <u>\$ 31,741,401</u> | <u>\$ 35,300,816</u> | <u>\$ 3,559,415</u> |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Revised Budget | Actual | Encum- brances | Variance Positive (Negative) |
|-----------------------------------|--------------------|-------------------|------------------|-------------------|------------------------------------|
| Expenditures | | | | | |
| <u>General Government Support</u> | | | | | |
| Legislative (Board of trustees): | | | | | |
| Personal services | \$ 60,000 | \$ 60,231 | \$ 60,231 | | |
| Contract expenditures | 739,215 | 785,339 | 421,942 | \$ 345,011 | \$ 18,386 |
| Total Legislative | <u>799,215</u> | <u>845,570</u> | <u>482,173</u> | <u>345,011</u> | <u>18,386</u> |
| Judicial (Village justice): | | | | | |
| Personal services | 272,234 | 255,735 | 255,580 | | 155 |
| Equipment and capital outlay | 1,000 | 1,600 | | | 1,600 |
| Contract expenditures | 65,500 | 83,995 | 84,011 | | (16) |
| Total Judicial | <u>338,734</u> | <u>341,330</u> | <u>339,591</u> | <u>-0-</u> | <u>1,739</u> |
| Executive (Mayor): | | | | | |
| Personal services | 124,100 | 132,292 | 132,292 | | -0- |
| Contract expenditures | 27,100 | 13,172 | 12,476 | | 696 |
| Total Executive | <u>151,200</u> | <u>145,464</u> | <u>144,768</u> | <u>-0-</u> | <u>696</u> |
| Finance: | | | | | |
| Assessment: | | | | | |
| Personal services | 26,050 | 26,082 | 26,082 | | -0- |
| Contract expenditures | 500 | 500 | | | 500 |
| Clerk: | | | | | |
| Personal services | 636,650 | 712,249 | 712,249 | | -0- |
| Equipment and capital outlay | 5,000 | 4,500 | 2,397 | | 2,103 |
| Contract expenditures | 105,115 | 111,739 | 110,205 | 825 | 709 |
| Grant writer | 50,000 | 50,237 | 50,237 | | -0- |
| Auditing fees | 38,000 | 52,950 | 47,942 | 5,000 | 8 |
| Total Finance | <u>861,315</u> | <u>958,257</u> | <u>949,112</u> | <u>5,825</u> | <u>3,320</u> |
| Staff: | | | | | |
| Law: | | | | | |
| Personal services | 100,000 | 63,385 | 63,385 | | -0- |
| Contract expenditures | 225,000 | 284,282 | 284,282 | | -0- |
| Election fees | 4,000 | 4,050 | 4,040 | | 10 |
| DPW: | | | | | |
| Personal services | 224,000 | 227,263 | 227,263 | | -0- |
| Equipment and capital outlay | 4,500 | 3,100 | 3,100 | | -0- |
| Contract expenditures | 16,300 | 16,337 | 14,919 | | 1,418 |
| Total Staff | <u>573,800</u> | <u>598,417</u> | <u>596,989</u> | <u>-0-</u> | <u>1,428</u> |
| Shared Services: | | | | | |
| Operation of Plant (Buildings): | | | | | |
| Personal services | 1,075,400 | 1,065,340 | 1,054,828 | | 10,512 |
| Equipment and capital outlay | 18,100 | 24,600 | 23,539 | | 1,061 |
| Contract expenditures | 433,944 | 362,604 | 286,110 | 37,746 | 38,748 |
| Central garage: | | | | | |
| Personal services | 425,150 | 416,774 | 416,442 | | 332 |
| Equipment and capital outlay | 15,000 | 10,076 | 9,627 | | 449 |
| Contract expenditures | 303,500 | 284,300 | 271,366 | 6,811 | 6,123 |
| COVID19: | | | | | |
| Equipment and capital outlay | | 22,425 | 22,410 | | 15 |
| Contract expenditures | | 61,400 | 58,957 | | 2,443 |
| Total Shared Services | <u>2,271,094</u> | <u>2,247,519</u> | <u>2,143,279</u> | <u>44,557</u> | <u>59,683</u> |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Revised Budget | Actual | Encum- brances | Variance Positive (Negative) |
|---|--------------------|-------------------|------------------|-------------------|------------------------------------|
| Expenditures (continued) | | | | | |
| <u>General Government Support (continued)</u> | | | | | |
| Special Items: | | | | | |
| Unallocated insurance | 645,000 | 645,000 | 638,738 | | 6,262 |
| Municipal association dues | 1,800 | 1,800 | 1,800 | | -0- |
| Judgments and claims | 200,000 | 125,000 | 74,205 | | 50,795 |
| MTA tax | 48,000 | 48,000 | 45,344 | | 2,656 |
| Contingency | 425,000 | 29,354 | | | 29,354 |
| Total Special Items | <u>1,319,800</u> | <u>849,154</u> | <u>760,087</u> | <u>-0-</u> | <u>89,067</u> |
| Total General Government Support | <u>6,315,158</u> | <u>5,985,711</u> | <u>5,415,999</u> | <u>395,393</u> | <u>174,319</u> |
| <u>Public Safety</u> | | | | | |
| Police: | | | | | |
| Personal services | 5,923,528 | 6,131,530 | 6,106,432 | | 25,098 |
| Equipment and capital outlay | 104,880 | | 89,386 | | (89,386) |
| Contract expenditures | 498,502 | 532,822 | 385,015 | 22,836 | 124,971 |
| Total Police | <u>6,526,910</u> | <u>6,664,352</u> | <u>6,580,833</u> | <u>22,836</u> | <u>60,683</u> |
| Radio Operators: | | | | | |
| Personal services | 1,468,605 | 1,425,605 | 1,372,180 | | 53,425 |
| Contract expenditures | 6,200 | 6,200 | 6,052 | | 148 |
| Total Radio Operators | <u>1,474,805</u> | <u>1,431,805</u> | <u>1,378,232</u> | <u>-0-</u> | <u>53,573</u> |
| Jail: | | | | | |
| Personal services | 22,500 | 12,500 | 11,970 | | 530 |
| Contract expenditures | 1,000 | 500 | | | 500 |
| Total Jail | <u>23,500</u> | <u>13,000</u> | <u>11,970</u> | <u>-0-</u> | <u>1,030</u> |
| Traffic Control: | | | | | |
| Contract expenditures | 40,250 | 39,338 | 38,699 | | 639 |
| Total Traffic Control | <u>40,250</u> | <u>39,338</u> | <u>38,699</u> | <u>-0-</u> | <u>639</u> |
| Fire Department: | | | | | |
| Personal services | 73,000 | 87,827 | 87,827 | | -0- |
| Equipment and capital outlay | 177,810 | 177,810 | 109,559 | 63,055 | 5,196 |
| Contract expenditures | 510,605 | 495,778 | 463,198 | 3,874 | 28,706 |
| Total Fire Department | <u>761,415</u> | <u>761,415</u> | <u>660,584</u> | <u>66,929</u> | <u>33,902</u> |
| Safety Inspection: | | | | | |
| Personal services | 509,000 | 470,310 | 458,181 | | 12,129 |
| Equipment and capital outlay | 2,000 | 2,000 | | | 2,000 |
| Contract expenditures | 40,030 | 40,320 | 33,745 | 2,696 | 3,879 |
| Total Safety Inspection | <u>551,030</u> | <u>512,630</u> | <u>491,926</u> | <u>2,696</u> | <u>18,008</u> |
| Total Public Safety | <u>9,377,910</u> | <u>9,422,540</u> | <u>9,162,244</u> | <u>92,461</u> | <u>167,835</u> |
| <u>Health</u> | | | | | |
| Ambulance: | | | | | |
| Personal services | 268,700 | 281,623 | 276,713 | | 4,910 |
| Equipment and capital outlay | 103,443 | 94,293 | 42,471 | 16,646 | 35,176 |
| Contract expenditures | 259,250 | 252,077 | 170,183 | 9,811 | 72,083 |
| Total Ambulance | <u>631,393</u> | <u>627,993</u> | <u>489,367</u> | <u>26,457</u> | <u>112,169</u> |
| Total Health | <u>631,393</u> | <u>627,993</u> | <u>489,367</u> | <u>26,457</u> | <u>112,169</u> |
| <u>Transportation</u> | | | | | |
| Street Maintenance: | | | | | |
| Personal services | 1,165,400 | 1,094,000 | 1,088,423 | | 5,577 |
| Equipment and capital outlay | 23,197 | 23,197 | 8,838 | 10,704 | 3,655 |
| Contract expenditures | 1,690,365 | 1,364,930 | 1,082,963 | 48,407 | 233,560 |
| Total Street Maintenance | <u>2,878,962</u> | <u>2,482,127</u> | <u>2,180,224</u> | <u>59,111</u> | <u>242,792</u> |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Revised Budget | Actual | Encum- brances | Variance Positive (Negative) |
|------------------------------------|--------------------|-------------------|-----------|-------------------|------------------------------------|
| Expenditures - (continued) | | | | | |
| <u>Transportation (continued)</u> | | | | | |
| Street Lighting: | | | | | |
| Contract expenditures | 133,413 | 122,913 | 94,334 | 8,921 | 19,658 |
| Total Street Lighting | 133,413 | 122,913 | 94,334 | 8,921 | 19,658 |
| Total Transportation | 3,012,375 | 2,605,040 | 2,274,558 | 68,032 | 262,450 |
| <u>Culture and Recreation</u> | | | | | |
| Parks: | | | | | |
| Personal services | 925,900 | 918,746 | 918,746 | | -0- |
| Equipment and capital outlay | 19,497 | 40,002 | 9,318 | 30,684 | -0- |
| Contract expenditures | 311,081 | 232,548 | 216,955 | 13,329 | 2,264 |
| Total Parks | 1,256,478 | 1,191,296 | 1,145,019 | 44,013 | 2,264 |
| Coopers Beach: | | | | | |
| Personal services | 185,000 | 270,450 | 270,449 | | 1 |
| Equipment and capital outlay | 12,000 | 3,900 | 3,845 | | 55 |
| Contract expenditures | 22,250 | 22,060 | 21,120 | 800 | 140 |
| Total Coopers Beach | 219,250 | 296,410 | 295,414 | 800 | 196 |
| Human Services: | | | | | |
| Contract expenditures | 4,000 | 4,000 | 779 | | 3,221 |
| Total Human Services | 4,000 | 4,000 | 779 | -0- | 3,221 |
| Culture | | | | | |
| Personal services | 84,800 | 87,576 | 87,576 | | -0- |
| Total Culture | 84,800 | 87,576 | 87,576 | -0- | -0- |
| Celebrations | | | | | |
| Contract expenditures | 2,500 | 2,500 | | | 2,500 |
| Total Celebrations | 2,500 | 2,500 | -0- | -0- | 2,500 |
| Total Culture and Recreation | 1,567,028 | 1,581,782 | 1,528,788 | 44,813 | 8,181 |
| <u>Home and Community Services</u> | | | | | |
| Zoning: | | | | | |
| Personal services | 22,000 | 20,800 | 17,500 | | 3,300 |
| Contract expenditures | 37,000 | 54,806 | 54,806 | | -0- |
| Total Zoning | 59,000 | 75,606 | 72,306 | -0- | 3,300 |
| Planning Board: | | | | | |
| Personal services | 22,000 | 25,203 | 25,203 | | -0- |
| Contract expenditures | 100,000 | 54,931 | 53,484 | | 1,447 |
| Total Planning Board | 122,000 | 80,134 | 78,687 | -0- | 1,447 |
| ARB: | | | | | |
| Personal services | 22,000 | 28,465 | 28,465 | | -0- |
| Contract expenditures | 69,000 | 62,795 | 60,828 | | 1,967 |
| Total ARB | 91,000 | 91,260 | 89,293 | -0- | 1,967 |
| Planning Commission: | | | | | |
| Personal services | 34,000 | 35,000 | 35,000 | | -0- |
| Contract expenditures | 12,000 | 9,000 | 7,153 | | 1,847 |
| Total Planning Commission | 46,000 | 44,000 | 42,153 | -0- | 1,847 |
| Shade Trees: | | | | | |
| Equipment and capital outlay | 18,000 | 25,500 | 23,058 | | 2,442 |
| Contract expenditures | 45,984 | 38,484 | 20,425 | | 18,059 |
| Total Shade Trees | 63,984 | 63,984 | 43,483 | -0- | 20,501 |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended May 31, 2021

| | Original Budget | Revised Budget | Actual | Encum- brances | Variance Positive (Negative) |
|--|--------------------|-------------------|-------------------|-------------------|------------------------------------|
| Expenditures - (continued) | | | | | |
| <u>Home and Community Services (continued)</u> | | | | | |
| Community Development: | | | | | |
| Contract expenditures | 16,000 | 16,000 | | | 16,000 |
| Total Community Development | 16,000 | 16,000 | -0- | -0- | 16,000 |
| Total Home and Community Services | 397,984 | 370,984 | 325,922 | -0- | 45,062 |
| <u>Employee Benefits</u> | | | | | |
| State retirement | 1,001,830 | 991,745 | 977,276 | | 14,469 |
| Police retirement | 1,314,907 | 1,433,801 | 1,303,987 | | 129,814 |
| Social security | 955,000 | 955,000 | 917,244 | | 37,756 |
| Workers' compensation | 800,000 | 828,300 | 828,286 | | 14 |
| Unemployment insurance | 14,000 | 36,500 | 32,729 | | 3,771 |
| Hospital and medical insurance | 4,550,000 | 4,509,500 | 4,424,447 | | 85,053 |
| Severance payments (compensated absences) | 300,000 | 300,000 | | | 300,000 |
| Service award programs | 545,000 | 410,000 | 223,074 | | 186,926 |
| Total Employee Benefits | 9,480,737 | 9,464,846 | 8,707,043 | -0- | 757,803 |
| <u>Debt Service</u> | | | | | |
| Serial bonds: | | | | | |
| Principal | 655,000 | 655,000 | 655,000 | | -0- |
| Interest | 242,269 | 242,269 | 242,269 | | -0- |
| Total Debt Service | 897,269 | 897,269 | 897,269 | -0- | -0- |
| Total Expenditures | 31,679,854 | 30,956,165 | 28,801,190 | 627,156 | 1,527,819 |
| <u>Other Financing Uses</u> | | | | | |
| Transfers out | 975,000 | 5,301,800 | 5,301,800 | | -0- |
| Total Other Financing Uses | 975,000 | 5,301,800 | 5,301,800 | -0- | -0- |
| Total Expenditures and Other Financing Uses | \$ 32,654,854 | \$ 36,257,965 | \$ 34,102,990 | \$ 627,156 | \$ 1,527,819 |

See paragraph on Other Supplementary Information Included in Auditors' Report

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF INCREASES AND DECREASES
CAPITAL PROJECTS FUND
May 31, 2021

| | <u>Fire Facility</u> | <u>ADA</u> | <u>Office Equipment</u> | <u>Facilities Acquisition</u> | <u>Fire Truck</u> | <u>Fire Equipment</u> | <u>Ambulance Building</u> | <u>Major Equipment</u> | <u>Beach</u> | <u>Not Allocated</u> | <u>Water Quality Rec</u> | <u>Total</u> |
|--|----------------------|-----------------|-----------------------------|-----------------------------------|-------------------|---------------------------|-------------------------------|----------------------------|---------------|----------------------|------------------------------|---------------------|
| Increases: | | | | | | | | | | | | |
| Interest earnings | \$ -0- | \$ 1 | \$ 2 | \$ 39 | \$ 455 | \$ 385 | \$ 1 | \$ 347 | \$ -0- | \$ -0- | \$ -0- | \$ 1,230 |
| Interfund transfers | | | | | | | 626,800 | | | 975,000 | 3,700,000 | 5,301,800 |
| Total increases | <u>-0-</u> | <u>1</u> | <u>2</u> | <u>39</u> | <u>455</u> | <u>385</u> | <u>626,801</u> | <u>347</u> | <u>-0-</u> | <u>975,000</u> | <u>3,700,000</u> | <u>5,303,030</u> |
| Decreases: | | | | | | | | | | | | |
| Project expenditures | | | | 10,626 | 186,983 | 137,432 | 256,709 | 389,735 | | | | 981,485 |
| Transfers out to projects | | | | | | | | | | | | -0- |
| Total Decreases | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>10,626</u> | <u>186,983</u> | <u>137,432</u> | <u>256,709</u> | <u>389,735</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>981,485</u> |
| Excess (deficiency) of increases over decreases | <u>-0-</u> | <u>1</u> | <u>2</u> | <u>(10,587)</u> | <u>(186,528)</u> | <u>(137,047)</u> | <u>370,092</u> | <u>(389,388)</u> | <u>-0-</u> | <u>975,000</u> | <u>3,700,000</u> | <u>4,321,545</u> |
| Balances at beginning of year | <u>1,850</u> | <u>5,214</u> | <u>3,162</u> | <u>118,576</u> | <u>882,414</u> | <u>746,241</u> | <u>(207,634)</u> | <u>1,194,984</u> | <u>402</u> | <u>-0-</u> | <u>-0-</u> | <u>2,745,209</u> |
| Balances at end of year | <u>\$ 1,850</u> | <u>\$ 5,215</u> | <u>\$ 3,164</u> | <u>\$ 107,989</u> | <u>\$ 695,886</u> | <u>\$ 609,194</u> | <u>\$ 162,458</u> | <u>\$ 805,596</u> | <u>\$ 402</u> | <u>\$ 975,000</u> | <u>\$ 3,700,000</u> | <u>\$ 7,066,754</u> |

INCORPORATED VILLAGE OF SOUTHAMPTON
SCHEDULE OF INCREASES AND DECREASES
SPECIAL REVENUE FUND
May 31, 2021

| | Parkland Deposits | Dog Park Reserve | WWI Memorial | Ambulance Facility | Comm for the Arts | Off Street Parking | Access for Handicap | Children's Fund | Street Lighting | Handicap Parking | Agwan Brick Program | CPF/ African American Museum | Munn Point | Affordable Housing Fund | Total |
|--|----------------------|---------------------|-----------------|-----------------------|----------------------|-----------------------|------------------------|--------------------|--------------------|---------------------|------------------------|------------------------------------|------------|-------------------------------|----------------|
| Increases: | | | | | | | | | | | | | | | |
| Interest earnings | \$ 14 | \$ 14 | \$ 1 | \$ 5 | \$ 16 | \$ 5 | \$ 1 | \$ 104 | \$ 44 | \$ 1 | \$ 3 | \$ -0- | \$ 2 | \$ 279 | \$ 489 |
| Planning board fees | | | | | | | | | | | | | | 466,800 | 466,800 |
| Donations | | 2,500 | | | | | | | | | | | | | 2,500 |
| Total increases | 14 | 2,514 | 1 | 5 | 16 | 5 | 1 | 104 | 44 | 1 | 3 | -0- | 2 | 467,079 | 469,789 |
| Decreases: | | | | | | | | | | | | | | | |
| Project expenditures | | 3,423 | | | | | | | | | | | | | 3,423 |
| Transfers out to projects | | | | | | | | | | | | | | | -0- |
| Total Decreases | -0- | 3,423 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- | 3,423 |
| Excess (deficiency) of increases over decreases | 14 | (909) | 1 | 5 | 16 | 5 | 1 | 104 | 44 | 1 | 3 | -0- | 2 | 467,079 | 466,366 |
| Balances at beginning of year | 24,027 | 17,508 | 1,921 | 9,114 | 27,530 | 8,693 | 2,140 | 172,787 | 73,090 | 1,196 | 3,267 | 6 | 2,831 | -0- | 344,110 |
| Balances at end of year | \$ 24,041 | \$ 16,599 | \$ 1,922 | \$ 9,119 | \$ 27,546 | \$ 8,698 | \$ 2,141 | \$ 172,891 | \$ 73,134 | \$ 1,197 | \$ 3,270 | \$ 6 | \$ 2,833 | \$ 467,079 | \$ 810,476 |

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

**The Honorable Mayor and Board of Trustees
Village of Southampton
Southampton, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Southampton, New York (the "Village") as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village of Southampton, New York's basic financial statements and have issued our report thereon dated February 8, 2022, which reported a qualified opinion on the aggregate remaining fund information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Village in a separate letter dated February 8, 2022.

The Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Southampton, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Southampton, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hauppauge, New York
February 8, 2022

VILLAGE OF SOUTHAMPTON
SCHEDULE OF AUDIT FINDINGS
May 31, 2021

2021-001 JUSTICE COURT BAIL ACCOUNT - MATERIAL WEAKNESS

Criteria

Preparing monthly bank reconciliations is necessary in order to identify discrepancies in accounting records. Bank reconciliations should identify all differences between the cash balance per the accounting records and the balance per the bank statement. All reconciling items should indicate the date and source of the difference, and should be resolved within a reasonable period of time. The monthly bank reconciliations should be reviewed by someone other than the preparer, and any unexplained reconciling items should be investigated and resolved in a timely manner. The reconciled cash balance for the justice court bail account should represent the amount of bail currently being held, and should be supported by a detailed listing of the defendants for whom the bail is being held.

Condition

While monthly bank reconciliations are prepared for all three of the Village of Southampton Justice Court's bank accounts, the reconciliations are not reviewed by someone other than the preparer for accuracy. The monthly bank reconciliations for Justice Wilson's and Justice Solomon's bank accounts include unexplained reconciling items which are several years old. In addition, the reconciled balance for the bail account does not agree to the bail being held for defendants per the accounting records.

Effect

The accounting records for the Village of Southampton Justice Court cannot be relied upon, and the bail account may not have sufficient funds to return bail being held on behalf of defendants.

Recommendation

We recommend the Village perform a thorough review of the accounting records of the Village of Southampton Justice Court to resolve the identified discrepancies. In addition, we recommend the Village implement procedures for a review of Justice Court bank reconciliations by an individual other than the preparer, and that any unexplained differences between the bank statement and the accounting records be investigated and resolved in a timely manner. We also recommend that the Village ensure that the reconciled balance of the bail account be reconciled to the detailed listing of defendants for whom bail is being held on a monthly basis.

Views of Responsible Officials

Upon notification that the Justice Court bank reconciliations were not being prepared timely and accurately, the Village retained the services of an outside accountant to prepare the reconciliations and identify and report differences between the bank and book (software balances). The accountant has been working on the monthly reconciliations and has identified items each month (i.e. returned checks, stale checks, electronic deposits), that are not being recorded in the CSI court software program by the Justice Court Clerks. Upon completion of each monthly reconciliation these items will be reviewed with the staff, and they will be instructed how to record these items moving forward each month.

The bank reconciliation reports each month will be signed by the Justices, and then sent to the Village Treasurer to review and sign.

VILLAGE OF SOUTHAMPTON
SUMMARY OF PRIOR YEAR FINDINGS
May 31, 2021

There were no prior year findings.