



**Town of Southampton**  
116 HAMPTON ROAD  
SOUTHAMPTON, NEW YORK 11968  
**TOWN COMPTROLLER**

**TAMARA WRIGHT**  
TOWN COMPTROLLER

Telephone (631) 702-1890  
FAX (631) 287-5709

September 9, 2010

Honorable Members of the Town Board  
and Citizens of the Town of Southampton

I am pleased to submit the Audited Financial Statements of the Town of Southampton, New York (the "Town") for the fiscal year ended December 31, 2009. The Town of Southampton assumes full responsibility for the framework of internal control that has been established for this purpose and the integrity of the financial accounts.

We have improved the reporting format over the previous years and I believe the information more clearly presents the financial position and results of operations of the Town as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain a reasonable understanding of the Town's financial affairs have been included.

This report includes the independent auditors' opinion; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the Basic Financial Statements; the Basic Financial Statements, which present government-wide financial statements and fund financial statements for governmental funds and component units, together with the Notes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparisons; and Other Supplementary Information, which includes the combining financial statements.

The accounting firm of Nawrocki Smith, LLP was engaged by the Town Board to perform the audit of the Town's financial statements as of December 31, 2009. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are attached.

**Acknowledgements**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Comptroller's Office, the guidance of our independent auditors, Nawrocki Smith, LLP and the accounting services performed by Sheehan & Company. I would like to express my appreciation to all members of the Comptroller's Office who assisted and contributed to its preparation, especially my Deputy Comptroller, Kathryn A. Scott, who was essential to its completion.

Also, I would like to thank the Supervisor and the members of the Town Board for their continued attention and support in planning and conducting the financial operations of the Town of Southampton in a responsible and progressive manner. Finally, I would like to thank former Supervisor, Linda A. Kabot, for her support and commitment to ensure that the Town's 2009 financial position was fairly represented.

Respectfully submitted,

Tamara Wright  
Town of Southampton  
Comptroller

**TOWN OF SOUTHAMPTON**  
**NEW YORK STATE**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF DECEMBER 31, 2009**  
**TOGETHER WITH AUDITORS' REPORTS**

**TOWN OF SOUTHAMPTON**  
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditors' Report .....	1-2
Management's Discussion And Analysis.....	3-14
Financial Statements:	
Government-Wide Financial Statements -	
Statement Of Net Assets.....	15
Statement Of Activities And Change In Net Assets.....	16
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	17
Reconciliation Of The Governmental Funds Balance Sheet To The Statement of Net Assets... ..	18
Fund Financial Statements -	
Statement Of Revenues, Expenditures, And Changes In Fund Equity (Deficit) - Governmental Funds.....	19
Reconciliation Of The Governmental Funds Statement of Revenues, Expenditures And Changes In Fund Equity (Deficit) To The Statement of Activities.....	20
Fund Financial Statements -	
Statement Of Net Assets - Proprietary Funds .....	21
Statement Of Revenues, Expenses, And Changes In Fund Net Assets (Deficit) - Proprietary Funds .....	22
Statement Of Cash Flows - Proprietary Funds .....	23
Fund Financial Statements -	
Statement Of Fiduciary Assets And Liabilities - Fiduciary Funds.....	24
Notes To Financial Statements.....	25-53
<b>SUPPLEMENTAL SCHEDULE</b>	
Supplemental Information:	
Schedule Of Revenues, Expenditures And Changes In Fund Equity (Deficit) - Budget And Actual	
General Fund	1 .....
Police District Fund	2 .....
Town Outside Village Fund	3 .....
Highway Fund	4 .....
Schedule Of Cash Receipts And Disbursements - Justice Court	5 .....
Schedule Of Employer Contributions - Service Award Program	6 .....
Schedule Of Funding Progress - Service Award Program	7 .....
Schedule Of Funding Progress For Retiree Health Plan	8 .....
Single Audit:	
Schedule Of Expenditures Of Federal Awards	9 .....
Notes To Schedule Of Expenditures Of Federal Awards.....	63
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> .....	64-65
Independent Auditors' Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	66-67

Schedule Of Findings And Questioned Costs .....		68
Summary Schedule Of Prior Audit Findings .....		69
Other Supplemental Information:		
Non-Major Governmental Funds -		
Combining Balance Sheet	10 .....	70
Combining Statement of Revenues, Expenditures And		
Changes In Fund Equity (Deficit)	11 .....	71



Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

### **INDEPENDENT AUDITORS' REPORT**

To the Honorable Supervisor and Town Board of the  
Town of Southampton:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Southampton (the "Town"), as of and for the year ended December 31, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Southampton Housing Authority, which represent 0.4 percent, 0.1 percent, and 6.2 percent, respectively, of the assets, net assets, and revenues of the Town. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Southampton Housing Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Southampton, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2010, on our consideration of the Town'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 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 and should be considered in assessing the results of our audit.

## Nawrocki Smith LLP

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Southampton's financial statements as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York  
July 26, 2010

*Nawrocki Smith LLP*

**TOWN OF SOUTHAMPTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

The following is a discussion and analysis of the Town of Southampton's (the "Town") financial performance for the year ended December 31, 2009. This section is a summary of the Town's financial activities based on currently known facts, decisions and conditions. It is also based on both the Town-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

**FINANCIAL AND BUDGETARY HIGHLIGHTS**

- The General Fund's total fund balance, as reflected in the fund financial statements, is \$11,634,652, which is an increase of \$4,184,813 or 56.2% as compared to the *restated* prior year (see pages 17 and 19). This was related to the establishment of a debt service reserve account from excess bond proceeds in the Capital Fund of \$3,136,814, and the reimbursement to the General Fund by the Community Preservation Fund for the 2008 purchase of open space property for \$2,300,000, offset by a net operating loss of \$1,252,001.
- The General Fund's operating revenues were unfavorable to the 2009 Adopted Budget by \$2,253,909, or 6.4%, due to a reduction in Mortgage Recording Tax Receipts over the previous year \$(3,391,646), or 40.5%. Operating expenditures were favorable to the 2009 Adopted Budget by \$4,012,959, or 10.4%, due to a Town-wide mid-year spending reduction plan enacted by the Town Board in the summer of 2009 and a hiring freeze policy adopted in the fourth quarter of 2008 (see page 54).
- The Police District Fund's total fund *deficit*, as reflected in the financial statements, was \$(889,720), which is an improvement of \$2,022,000, or 69.4%, over the *restated* prior year's fund balance. The improvement reflects the partial achievement of the planned deficit reduction in the 2009 Operating Budget of \$750,000, as well as a positive spending budget variance to the 2009 Adopted Budget of \$1,462,821, or 6.8%, offset by a planned interfund revenue transfer shortfall from the Capital Fund, as the monies were not available (see page 55).
- The Town Outside Village Fund's total fund *deficit*, as reflected in the financial statements, was \$(303,298). It reflects a *restated* fund balance adjustment of \$405,420, related to prior period accounting adjustments associated with the authorized appropriations of surplus to the Capital Fund (see page 56).
- The Highway Fund's total fund balance, as reflected in the financial statements, was \$1,106,046, which is an improvement of \$1,262,582, over the *restated* prior year's fund *deficit*. The improvement reflects a 2009 Adopted Budget planned interfund revenue transfer from the Capital Fund to pay for debt service in the amount of \$750,000, and the establishment of a debt service reserve account from additional excess bond proceeds in the amount of \$557,952 (see page 57).
- The Town's total net assets, as reflected in the *Government-wide* financial statements, decreased by \$1,114,833 or 0.2%. This decrease is primarily due to increased real property taxes and local revenue sources being collected, offset by decreases in Community Preservation and state aid revenues as well as increases in employee benefit categories. The total net assets will continue to decline each year due to the annual recognition of post-employment benefits in accordance with GASB Statement 45.
- The Town's expenses for the year, as reflected in the *Government-wide* financial statements, totaled \$117,543,603. Of this amount, \$43,862,008 (which includes \$24,805,488 of Community Preservation revenues) was offset by program charges for services and operating and capital grants. General revenues of \$72,566,762 amounted to 62.3% of total revenues (see page 16).

- The notes related to prior period adjustments resulting in *restated* fund balances can be found on page 53.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the Town’s *overall* financial status (see pages 15 and 16).
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town, reporting the Town’s operations in *more detail* than the Government-wide statements (see pages 17 - 23).
  - The *governmental funds statements* tell how basic services were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary funds statements* provide both short-term and long-term information on the Town’s business-type activities with the primary revenue sources being charges for services.
  - *Fiduciary funds statements* provide information about the financial relationships in which the Town acts solely as a *trustee* or *agent* for the benefit of others (see page 24).

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of certain actual results (General Fund, Police District Fund, Town Outside Village Fund and Highway Fund) with the Town’s budget for the year.

### Reporting the Town as a Whole

The analysis of the Town as a whole begins on page 15. One of the most important questions asked about the Town’s finances should be, “Is the Town as a whole better off or worse off as a result of the current year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town’s net assets and changes in them. You can think of the Town’s net assets – the difference between assets and liabilities – as one way to measure the Town’s financial health, or financial position. Over time, increases or decreases in the Town’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town’s property tax base and the condition of the Town’s roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statements of Activities, we divide the Town into three categories:

- *Governmental activities* - Most of the Town’s basic services are reported here, including police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- *Business-type activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town’s waste management, building and zoning, golf course and beach facilities are reported here.

- *Component Unit* - The component unit is a legally separate organization for which the Town is either financially accountable, or the nature and relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town includes one discretely presented component unit (Town of Southampton Housing Authority) as a separate column on the Town-wide statements. Complete financial statements of the component units can be obtained from their administrative office (see Note 2).

#### Reporting the Town's Most Significant Funds

Fund financial statements present financial information in the traditional governmental accounting format, with an emphasis on the most significant funds. Our analysis of the Town's major funds begins on page 17. Some funds are required to be established by State law and by bond covenants. However, the Town establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (grants received from the U.S. Department of Housing and Urban Development). The Town's three kinds of funds – governmental, proprietary and fiduciary – use different accounting approaches.

- *Governmental Funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each of the governmental fund financial statements (pages 18 and 20).
- *Proprietary Funds* - When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the Town-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- *Fiduciary Funds* - Fiduciary funds are used to account for resources that are earmarked for the benefit of other parties, and are not reflected on the Town-wide financial statements because those funds are not available to support the Town's activities.

### **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

#### Financial Highlights:

##### Net assets

The Town's total assets on December 31, 2009 were \$830.4 million, an increase of \$27.0 million over the prior year. Total liabilities were \$206.3 million, an increase of approximately \$28.1 million from the prior year. The result is a net asset balance of \$624.1 million, a decrease of \$1.1 million over the prior year. Of the Town's net assets, \$599.5 million was invested in capital assets, net of related debt. Restricted net assets were \$42.8 million and unrestricted net assets were \$(18.3) million on December 31, 2009.

- Positive working capital of \$26.5 million is due to an increase in restricted cash of \$15 million, a decrease in deferred revenues of \$8.6 million and an increase in the amount due to employees' retirement system of \$2 million.

- Investment in capital assets of \$599.5 million (compared to \$612.5 million in 2008) decreased primarily due to CPF purchases and ongoing capital projects offset by depreciation charges and CPF bond issuances.
- The Town's bonded indebtedness was \$125.4 million which is included in liabilities of which \$70.3 million is related to purchases of land by the Community Preservation Fund.

### Change in Net Assets

The Town's program revenues for the year ended December 31, 2009 were \$43.9 million, a decrease of \$9.4 million from 2008, which is primarily related to a decrease in CPF revenue collected. General revenues increased by \$2.9 million from last year to \$72.6 million primarily related to increases in real property taxes and local sources offset by decreased interest rates on idle monies. Total combined revenues for 2009 were \$116.4 million, a decrease of \$6.6 million from 2008. Expenses for the year ended December 31, 2009 were \$117.5 million reflecting an increase of \$7.0 million which is primarily related to increases in salaries and employee benefit categories. This resulted in a change in net assets for the year ended December 31, 2009 in the amount of \$(1.1) million.

The Town's combined net assets decreased from a year ago from \$625.2 million to \$624.1 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Reference is made to Note 18 of the financial statements with respect to certain restatements made to prior year balances.

**Table 1:**

Condensed Statement of Net Assets  
Governmental and Business-type Activities - Primary Government  
As of December 31,

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 79,806,085	\$ 58,406,144	\$ 3,990,398	\$ 8,688,276	\$ 83,796,483	\$ 67,094,420
Non-current assets, restated for 2008	722,949,227	713,409,227	23,655,923	22,913,554	746,605,150	736,322,781
<b>Total assets</b>	<b>\$ 802,755,312</b>	<b>\$ 771,815,371</b>	<b>\$ 27,646,321</b>	<b>\$ 31,601,830</b>	<b>\$ 830,401,633</b>	<b>\$ 803,417,201</b>
<b>Liabilities</b>						
Current liabilities, restated for 2008	\$ 53,301,379	\$ 60,368,543	\$ 7,712,652	\$ 8,114,158	\$ 61,014,031	\$ 68,482,701
Long-term liabilities	138,819,657	100,843,462	6,488,392	8,896,752	145,308,049	109,740,214
<b>Total liabilities</b>	<b>\$ 192,121,036</b>	<b>\$ 161,212,005</b>	<b>\$ 14,201,044</b>	<b>\$ 17,010,910</b>	<b>\$ 206,322,080</b>	<b>\$ 178,222,915</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt, restated for 2008	\$ 582,576,900	\$ 598,483,191	\$ 16,935,143	\$ 14,054,090	\$ 599,512,043	\$ 612,537,281
Restricted	42,827,892	2,000,000	-	1,217,763	42,827,892	3,217,763
Unrestricted, restated for 2008	(14,770,516)	10,120,175	(3,488,866)	(680,933)	(18,260,382)	9,439,242
<b>Total net assets</b>	<b>\$ 610,634,276</b>	<b>\$ 610,603,366</b>	<b>\$ 13,445,277</b>	<b>\$ 14,590,920</b>	<b>\$ 624,079,553</b>	<b>\$ 625,194,286</b>

**Table 2:**

Condensed Statement of Activities and Change in Net Assets  
Governmental and Business-type Activities - Primary Government  
For the Years Ended December 31,

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Program revenues:</b>						
Charges for services	\$ 4,633,317	\$ 3,272,015	\$ 6,743,540	\$ 7,485,850	\$ 11,376,857	\$ 10,757,865
Operating grants and contributions	31,720,088	42,334,202	270,011	117,642	31,990,099	42,451,844
Capital grants and contributions	495,052	61,851	-	-	495,052	61,851
<b>Total program revenues</b>	<b>36,848,457</b>	<b>45,668,068</b>	<b>7,013,551</b>	<b>7,603,492</b>	<b>43,862,008</b>	<b>53,271,560</b>
<b>General revenues:</b>						
Real property taxes	59,192,549	53,161,189	-	-	59,192,549	53,161,189
Other real property tax items	65,223	446,647	-	-	65,223	446,647
Non-property tax items	1,013,649	1,010,521	-	-	1,013,649	1,010,521
Interest earnings	568,086	2,116,151	5,664	88,371	573,750	2,204,522
State aid - unrestricted	7,301,340	11,108,990	-	-	7,301,340	11,108,990
Other	4,420,251	1,807,480	-	-	4,420,251	1,807,480
<b>Total general revenues</b>	<b>72,561,098</b>	<b>69,650,978</b>	<b>5,664</b>	<b>88,371</b>	<b>72,566,762</b>	<b>69,739,349</b>
<b>Total revenues</b>	<b>109,409,555</b>	<b>115,319,046</b>	<b>7,019,215</b>	<b>7,691,863</b>	<b>116,428,770</b>	<b>123,010,909</b>

**Table 2 (cont'd):**

Condensed Statement of Activities and Change in Net Assets  
 Governmental and Business-type Activities - Primary Government  
 For the Years Ended December 31,

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Program expenses:						
General governmental support	\$ 24,808,787	\$ 22,212,560	\$ -	\$ -	\$ 24,808,787	\$ 22,212,560
Public safety	34,399,409	27,954,384	-	-	34,399,409	27,954,384
Health	2,508,727	2,112,910	-	-	2,508,727	2,112,910
Transportation	16,615,332	22,949,170	-	-	16,615,332	22,949,170
Economic assistance and opportunity	3,869,051	2,699,959	-	-	3,869,051	2,699,959
Culture and recreation	8,125,880	7,850,068	-	-	8,125,880	7,850,068
Home and community services	14,681,523	12,843,426	-	-	14,681,523	12,843,426
Interest on debt	4,370,036	3,641,720	318,940	293,167	4,688,976	3,934,887
Beaches and marinas	-	-	1,515,979	1,515,342	1,515,979	1,515,342
Waste management	-	-	2,197,650	2,093,351	2,197,650	2,093,351
Building and zoning	-	-	3,498,853	3,587,303	3,498,853	3,587,303
Golf course	-	-	633,436	702,164	633,436	702,164
Total expenses	<u>109,378,745</u>	<u>102,264,197</u>	<u>8,164,858</u>	<u>8,191,327</u>	<u>117,543,603</u>	<u>110,455,524</u>
Excess (deficiency) before interfund transfers	30,810	13,054,849	(1,145,643)	(499,464)	(1,114,833)	12,555,385
Interfund transfers	-	1,213,366	-	(1,213,366)	-	-
Change in net assets	<u>\$ 30,810</u>	<u>\$ 14,268,215</u>	<u>\$ (1,145,643)</u>	<u>\$ (1,712,830)</u>	<u>\$ (1,114,833)</u>	<u>\$ 12,555,385</u>

### Governmental Activities

Revenues for the Town's governmental activities decreased by 5.1% (\$5.9 million) while total expenses increased by 7.0% (\$7.1 million). The majority of the decrease in revenue is due to a decrease in operating grants and contributions offset by an increase in real property taxes.

The cost of all governmental activities this year was \$109.4 million. However, as shown in the Statement of Activities on page 16, the amount that taxpayers ultimately financed for these activities through Town taxes was only \$59.3 million, because some of the cost was paid by those who directly benefited from the programs (\$4.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$32.2 million).

Table 3 presents the cost of the Town's governmental activities as well as the net cost of services (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions (see page 16).

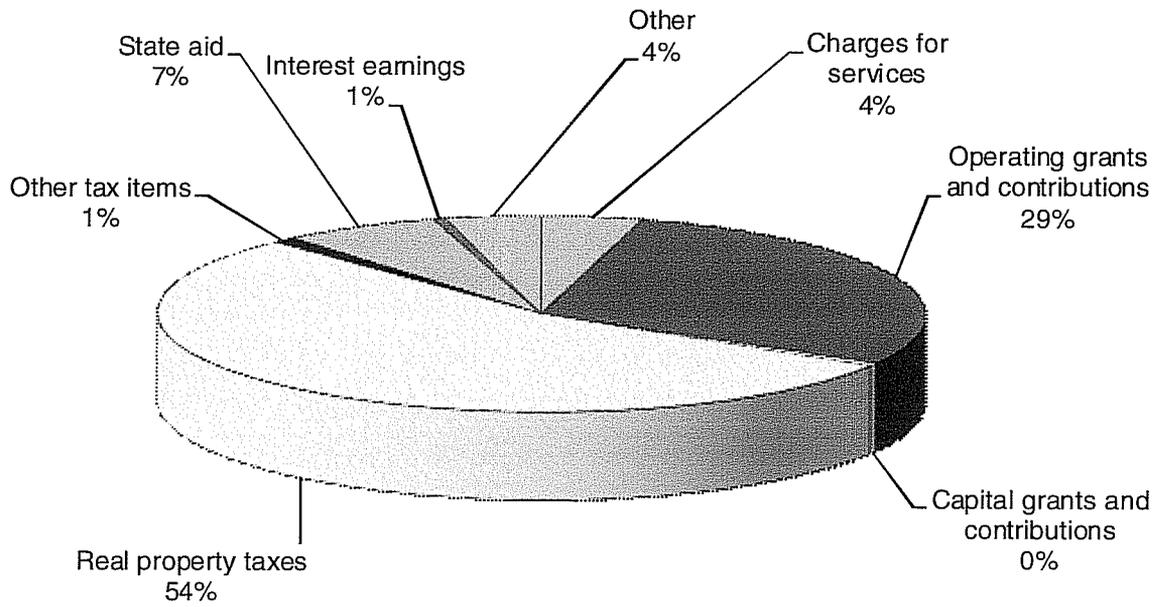
**Table 3:**

Net Costs of Services  
 Governmental Activities  
 For the Years Ended December 31,

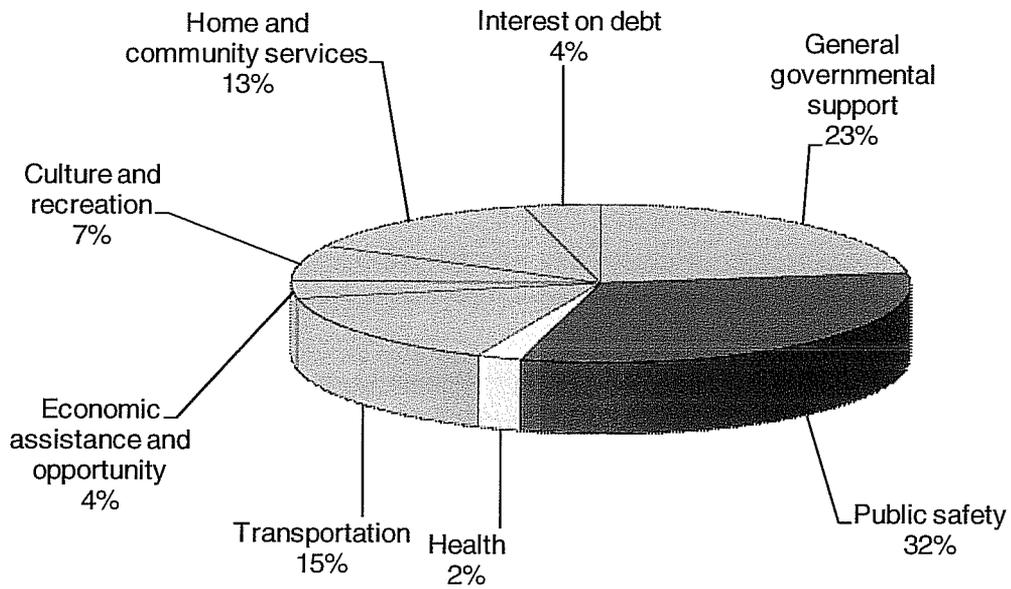
	Total Cost of Services		Program Revenues		Net (Cost) of Services	
	2009	2008	2009	2008	2009	2008
General governmental support	\$ 24,808,787	\$ 22,212,560	\$ 26,066,587	\$ 37,172,471	\$ 1,257,800	\$ 14,959,911
Public safety	34,399,409	27,954,384	382,666	407,618	(34,016,743)	(27,546,766)
Health	2,508,727	2,112,910	-	-	(2,508,727)	(2,112,910)
Transportation	16,615,332	22,949,170	2,193,060	765,068	(14,422,272)	(22,184,102)
Economic assistance and opportunity	3,869,051	2,699,959	964,016	1,314,354	(2,905,035)	(1,385,605)
Culture and recreation	8,125,880	7,850,068	1,002,933	479,131	(7,122,947)	(7,370,937)
Home and community services	14,681,523	12,843,426	6,239,195	5,529,426	(8,442,328)	(7,314,000)
Interest on debt	4,370,036	3,641,720	-	-	(4,370,036)	(3,641,720)
	<u>\$ 109,378,745</u>	<u>\$ 102,264,197</u>	<u>\$ 36,848,457</u>	<u>\$ 45,668,068</u>	<u>\$ (72,530,288)</u>	<u>\$ (56,596,129)</u>

The overall net cost of services increased over 2008 by \$15.9 million. The majority of the increase in cost of services was due to reduced tax receipts for CPF purchases.

**Table 4: Sources of Revenues for Fiscal Year 2009 – Governmental Activities**



**Table 5: Expenses for Fiscal Year 2009 – Governmental Activities**

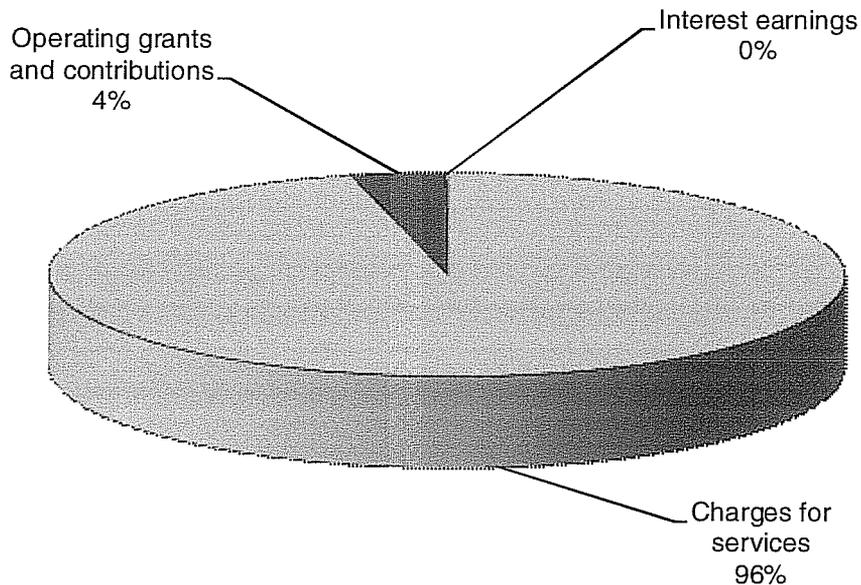


Business-Type Activities

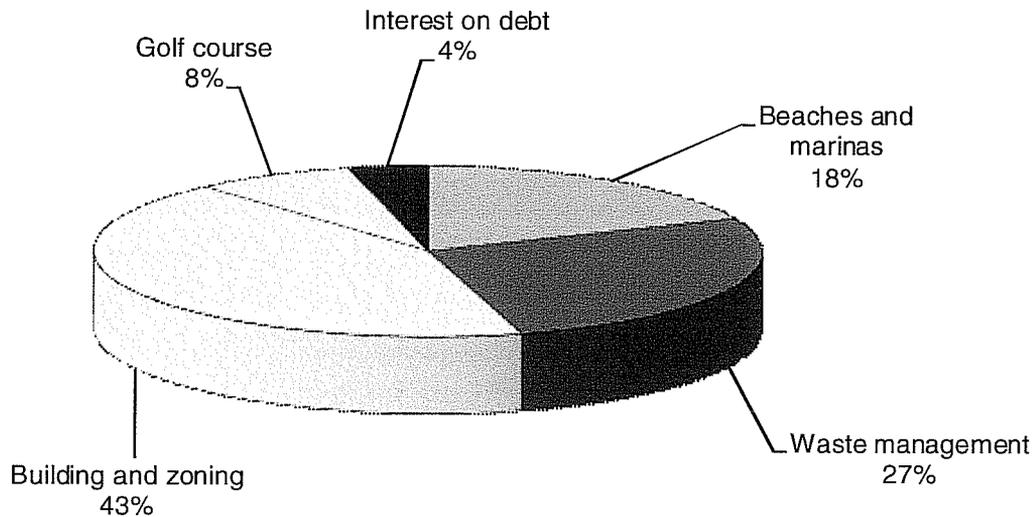
The Town's total operating revenues from business-type activities decreased by 8.7 percent (\$0.6 million) over 2008. Some significant year-end financial data relating to these entities are highlighted as follows:

- Operating revenue in the Beaches and Marinas Fund totaled \$1.6 million in 2009. The increase in operating revenue from the previous year is attributable to increased beach parking fees at the beaches. The fund overall had a decrease in net assets of approximately \$0.1 million due to increased debt service.
- Operating revenue in the Waste Management Fund totaled \$1.8 million in 2009. A reduction in Landfill Fees contributed to the reduction in revenue of approximately \$0.5 million. The fund overall had a decrease in net assets of approximately \$0.5 million. Overall, the operating revenues for the current year were not sufficient to cover operating expenditures. In 2010, the Town will increase the charges to Governmental Funds for the services they utilize and raise property taxes to cover the debt services on improvements to the facility.
- Operating revenue in the Building and Zoning Fund totaled \$2.9 million in 2009. The decrease in operating revenue from the previous year is mainly attributable to decreased building permit and zoning fees. The fund overall had a decrease in net assets of approximately \$0.6 million.
- The Golf Course experienced a decrease in expenses to cover its decreased operating revenues, yielding a small net gain. The increase in the net asset contributions are to build up total net assets and cash for future capital improvement reserves or to insure sufficient cash flow to meet annual operations, even during a poor season that can result from tough economic times or simply bad weather conditions.

**Table 6:** Sources of Revenues for Fiscal Year 2009 – Business-Type Activities



**Table 7: Expenses for Fiscal Year 2009 – Business-Type Activities**



### **FINANCIAL ANALYSIS OF CERTAIN TOWN GOVERNMENT FUNDS**

#### Governmental Funds

General Fund assets decreased by 18.6%, primarily related to a reduction in state and federal aid receivables. Liabilities decreased by 53.9%, primarily related to a decrease of \$3.4 million in deferred revenues and \$2.2 million in due to other funds. Fund balance increased by \$4.2 million, or 56.1%, *after the 2008 fund balance was restated from \$10.6 million to \$7.4 million*, to reflect prior year authorizations of appropriations of surplus to the Capital Fund.

The General Fund has a larger undesignated fund balance of \$4.6 million, which represents 13.4% of annual operating expenditures, in addition to a reserve for debt service of \$3.6 million and a tax stabilization reserve of \$3.4 million.

The Police District Fund operated in an excess of approximately \$2.0 million in 2009. The 8.6% increase in revenue reflects a planned deficit reduction program that is a combination of lower costs and larger tax increases. The deficit reduction program will continue in 2010 and is expected to eliminate the deficit.

The Capital Projects Fund had a decrease in fund balance of \$13.8 million. This is due to the timing of when revenues are recorded from the issuance of long-term debt, and when the expenditures for the related projects are incurred. The deficit fund balance will be eliminated once the Town converts short-term borrowings of \$24.0 million to long-term. No long-term debt was issued by the Town in 2008 or 2009; however, a serial bond issue is planned for 2010.

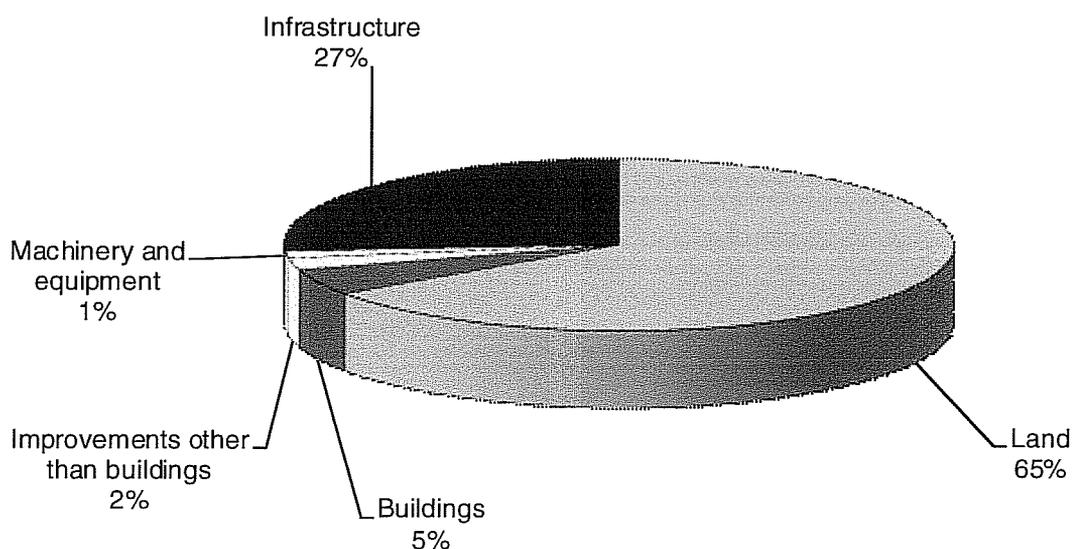
In the Community Preservation Fund, the fund balance increased approximately \$36.6 million, mostly related to the issuance of \$40 million in long-term debt to pay for land purchased in previous years. Overall revenues decreased by \$9.6 million from 2008, reflecting the downturn in the volume and sale price of home in the Town.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the Town had \$746.4 million invested in a broad range of capital assets, including beaches, land, police equipment, buildings, park facilities, roads, bridges and water infrastructure (See Table 9). Since the inception of the Community Preservation Fund in 1999, the Town of Southampton has acquired preserved land valued at approximately \$370.0 million of the Town's total \$486.5 million of land. The details of capital assets are shown in Note 7 to the financial statements.

**Table 8:** Investment in Capital Assets for Fiscal Year 2009



The Town implemented a six year Capital Program in 2009, which projects the long range planning of capital projects, along with the source of financing for those projects.

During the 2009 fiscal year, the Town hired an independent accounting firm to perform a forensic accounting investigation of its Capital Projects Fund. This forensic accounting investigation was completed in December 2009, and found the following:

- Certain projects were approved and authorized by Town Board Resolution; however, the transfer of monies from the applicable governmental fund was never made.
- Certain projects were in a funding deficit (project costs were in excess of project revenues) while others were in a funding surplus (project revenues were in excess of project expenses).
- Several accounting errors occurred in the recording of capital assets within the Enterprise Funds.

The Town then went through an extensive task of consolidating, collapsing and closing-out completed capital projects. As a result, the Town has closed out 271 projects and appropriately addressed all capital project funding issues, which resulted in a restatement of opening fund balance (see Note 18).

The Town also reconstructed the capital asset accounting entries related to the Enterprise Funds, and recorded correcting journal entries for thirteen projects across three Enterprise Funds.

**Table 9:**

Capital Assets  
As of December 31,

	2009	2008 (As Restated)
<b><u>Governmental Activities:</u></b>		
Land	\$ 475,217,109	\$ 457,985,484
Buildings	40,491,230	38,223,108
Improvements other than buildings	14,284,437	13,765,360
Machinery and equipment	23,721,971	22,547,189
Infrastructure –		
Bridges	1,052,045	970,110
Landfill	9,412,515	9,412,515
Roads, curbs and sidewalks	340,586,325	335,736,834
Lighting system	1,349,791	1,349,791
Bulkheads, piers and boardwalks	9,346,204	9,053,731
Water and sewer mains	9,279,178	8,712,169
	<u>924,740,805</u>	<u>897,756,291</u>
Less accumulated depreciation	<u>202,042,020</u>	<u>184,614,515</u>
	<u>\$ 722,698,785</u>	<u>\$ 713,141,776</u>
<b><u>Business-type Activities:</u></b>		
Land	\$ 11,287,063	\$ 11,287,063
Buildings	4,520,379	4,520,379
Improvements other than buildings	8,577,631	7,499,073
Machinery and equipment	<u>2,720,186</u>	<u>2,384,972</u>
	<u>27,105,259</u>	<u>25,691,487</u>
Less accumulated depreciation	<u>3,449,336</u>	<u>2,777,933</u>
	<u>\$ 23,655,923</u>	<u>\$ 22,913,554</u>

The Town's fiscal year 2010 capital budget includes the continuation of funding for infrastructure improvements. Over half the Town's \$12.9 million capital spending plan in 2010 will be dedicated to the reconstruction of roads, bridges, and drainage improvement projects. The Town also continued several projects to improve the Town's buildings and parks initiated projects aimed at enhancing efficiency through technology investments in the Highway Department, Tax Receiver's Office, and Financial Management Systems.

#### Debt Administration

During 2009, the Town of Southampton updated its debt management policy, which continues to limit the Town's debt service funded by taxpayers to not more than 15% of operating expenditures, excluding the Community Preservation Fund. For 2009, the Town's total debt service was approximately \$17.2 million, of which \$8.8 million was paid by the Community Preservation Fund, resulting in taxpayer supported debt service of just over \$8.4 million. Debt service in 2009, excluding CPF, was 10.5% of operating expenditures. The Town closed its Debt Service Fund in 2009.

The Town of Southampton current outstanding bonded indebtedness was \$125.4 million at year-end 2009, of which \$70.3 million was related to the Community Preservation Fund land purchases, \$33.9 million for various General Fund capital assets, \$15.5 million related to highway improvements and \$5.7 million for the Hampton Bays Water District.

Two \$20 million serial bonds were issued during 2009 for the Community Preservation Fund and approximately \$24.0 million of short-term bond anticipation notes were outstanding as of December 31, 2009.

The Town has accrued an \$18.1 million obligation for other post-employment benefits in accordance with GASB Statement No. 45 on the Town-wide financial statements. Note 9 to the financial statements shows the details of the Town's long-term liabilities.

## Union Contracts

The Town of Southampton had approximately 535 full-time, year-round employees at the end of 2009, which including part-time and summer seasonal employees can increase to over 900. The Police Benevolent Association (the "PBA") represented 100 employees under a contract, that expired on December 31, 2008. The Civil Service Employee Association (the "CSEA") represents approximately 300 employees under a contract that expired on December 31, 2008, with a one-year extension to December 31, 2009. The remaining are administrative or non-union employees, and elected officials. Both the PBA and the CSEA contracts have been settled in 2010.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### Budget Procedures

The Town's elected officials considered many factors when setting the fiscal-year 2009 budget, tax rates and fees to be charged for the business-type activities. Many factors contributed to the need to appropriate approximately \$4.4 million of fund balance surplus to balance the 2009 budget. In 2003, the Town Board mandated a 5% cap on any increases in the Town tax rate in any given year, and the Town has seen several years of decline in its Mortgage Tax Receipts, from a high of over \$13.1 million in 2006, to a low of \$4.9 million in 2009.

In the midst of one of the worst economic recessions in decades affecting our taxpayers, a more cost efficient budget was adopted for 2010, which does not appropriate any fund balance surplus and seeks to reorganize and streamline operations to achieve better efficiencies in the delivery of services. In addition, the Town will return to multi-year budget projections beginning in 2011 for its operating budgets, as well as develop more financially prudent procedures for the development and implementation of its six year capital budget program.

See page 3 for discussion regarding significant budget variances and see pages 54 through 58 for budget versus actual comparisons.

### Tax Collection

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

<u>As of May 31,</u>	<u>Total Tax Levy</u>	<u>To Town Supervisor</u>	<u>To County Treasurer</u>	<u>Uncollected Returned</u>
2009	\$ 285,515,366	\$ 269,892,478	\$ 15,622,888	\$ 13,851,451
2008	263,554,592	248,575,719	14,978,873	11,749,256
2007	247,855,948	234,400,547	13,455,401	10,285,056
2006	236,598,166	225,544,264	11,053,092	9,471,212
2005	222,742,020	211,398,147	11,343,873	8,767,202
2004	203,640,297	192,769,021	10,871,276	10,113,736

The Town Receiver distributes the collected money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The Town is thereby assured of full tax collection.

### Business-Type Activities

As for the Town's business-type activities, it is expected that the 2010 results will improve based on these recent rate decisions:

- The Beach and Marinas Enterprise Fund did not do as well as expected in 2009, however, rate changes for the docks and marinas will be implemented to help offset the amortization of the bonds issued to make the capital improvements in addition to offsetting the costs of operations. It is expected that property taxes will be required to further subsidize the debt service and address the fund balance deficits.

- The Building and Zoning Enterprise Fund expects to report a profit from operations in 2010, although it experienced a decline in revenues resulting from the softening of the real estate market. After adding new fees for engineering services, along with the substantial reserves carried forward from the prior year's profits, the Town feels confident that it will be able to continue supporting the level of services expected by our residents. The Town will explore the possibility of combining the services of this Enterprise Fund with the Town Outside Village Fund to better benefit the taxpayer.
- The Waste Management Enterprise Fund has a net asset deficit at the end of 2009 of \$(1,341,696). The eradication of this deficit will be a primary focus in 2010 to develop a deficit reduction plan. The 2010 budget will raise property taxes to pay for the debt service associated with the infrastructure improvements.
- The Poxabogue Golf Course is jointly owned with the Town of East Hampton. A plan for future investments in the facility, restaurant and grounds will be developed in 2010 in conjunction with the Town of East Hampton.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Comptroller's Office at Town of Southampton, 116 Hampton Road, Southampton, NY 11968 (631) 283-6000.

**TOWN OF SOUTHAMPTON**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Current assets:</b>				
Cash and cash equivalents	\$ 33,607,790	\$ 2,553,434	\$ 36,161,224	\$ 188,972
Restricted cash	23,402,504	-	23,402,504	152,028
Accounts receivable, net	1,261,119	36,601	1,297,720	-
State and federal aid receivables	5,247,584	-	5,247,584	-
Due from fiduciary funds	11,885,095	1,328,640	13,213,735	-
Due from other governments	3,773,132	-	3,773,132	-
Prepaid expenses	628,061	51,666	679,727	22,517
Inventory of materials and supplies	-	20,057	20,057	-
Other assets	800	-	800	-
<b>Total current assets</b>	<b>79,806,085</b>	<b>3,990,398</b>	<b>83,796,483</b>	<b>363,517</b>
<b>Noncurrent assets:</b>				
Deferred charges, net	250,442	-	250,442	24,506
Non-depreciable capital assets	475,217,109	11,287,063	486,504,172	620,500
Depreciable capital assets, net	247,481,676	12,368,860	259,850,536	2,471,809
<b>Total non-current assets</b>	<b>722,949,227</b>	<b>23,655,923</b>	<b>746,605,150</b>	<b>3,116,815</b>
<b>Total assets</b>	<b>\$ 802,755,312</b>	<b>\$ 27,646,321</b>	<b>\$ 830,401,633</b>	<b>\$ 3,480,332</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 4,485,258	\$ 126,303	\$ 4,611,561	\$ 30,834
Accrued liabilities	404,731	-	404,731	5,035
Accrued interest payable	1,005,165	61,561	1,066,726	2,272
Bond anticipation notes payable	21,430,589	2,580,000	24,010,589	-
Due to employees' retirement system	2,470,231	193,242	2,663,473	-
Due to fiduciary funds	7,712,069	4,111,868	11,823,937	-
Due to other governments	28,808	-	28,808	-
Deferred revenues	3,319,659	107,837	3,427,496	16,893
<b>Non-current liabilities due within one year:</b>				
General obligation bonds payable	11,568,568	531,841	12,100,409	-
Special assessment bonds with governmental commitment	56,600	-	56,600	-
Compensated absences	480,827	-	480,827	-
Judgments and claims payable	143,626	-	143,626	-
Estimated liability for landfill closure and post-closure care costs	195,248	-	195,248	-
Mortgages payable	-	-	-	35,456
<b>Total current liabilities</b>	<b>53,301,379</b>	<b>7,712,652</b>	<b>61,014,031</b>	<b>90,490</b>
<b>Noncurrent liabilities:</b>				
General obligation bonds payable	106,807,828	6,188,939	112,996,767	-
Special assessment bonds with governmental commitment	258,300	-	258,300	-
Compensated absences	8,811,361	299,453	9,110,814	-
Judgments and claims payable	1,170,000	-	1,170,000	-
Other post-employment benefits	18,062,466	-	18,062,466	-
Estimated liability for landfill closure and post-closure care costs	3,709,702	-	3,709,702	-
Mortgages payable	-	-	-	2,965,289
<b>Total noncurrent liabilities</b>	<b>138,819,657</b>	<b>6,488,392</b>	<b>145,308,049</b>	<b>2,965,289</b>
<b>Total liabilities</b>	<b>192,121,036</b>	<b>14,201,044</b>	<b>206,322,080</b>	<b>3,055,779</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	582,576,900	16,935,143	599,512,043	-
<b>Restricted:</b>				
Home and community services	-	-	-	424,553
Debt service	6,310,992	-	6,310,992	-
Tax stabilization	4,088,774	-	4,088,774	-
Community preservation	32,428,126	-	32,428,126	-
<b>Unrestricted</b>	<b>(14,770,516)</b>	<b>(3,489,866)</b>	<b>(18,260,382)</b>	<b>-</b>
<b>Total net assets</b>	<b>610,634,276</b>	<b>13,445,277</b>	<b>624,079,553</b>	<b>424,553</b>
<b>Total liabilities and net assets</b>	<b>\$ 802,755,312</b>	<b>\$ 27,646,321</b>	<b>\$ 830,401,633</b>	<b>\$ 3,480,332</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions and programs:	Program Revenues			Net Expenses and Change in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government	\$ 24,808,787	\$ 1,163,085	\$ 24,903,502	\$ -	\$ 1,257,800	\$ -	\$ 1,257,800
General governmental support	34,399,409	206,739	175,927	-	(34,016,743)	-	(34,016,743)
Public safety	2,508,727	-	-	-	(2,508,727)	-	(2,508,727)
Health	16,615,332	622,237	1,075,771	495,052	(14,422,272)	-	(14,422,272)
Transportation	3,869,051	-	964,016	-	(2,905,035)	-	(2,905,035)
Economic assistance and opportunity	8,125,880	81,834	921,099	-	(7,122,947)	-	(7,122,947)
Culture and recreation	14,681,523	2,559,422	3,679,773	-	(8,442,328)	-	(8,442,328)
Home and community services	4,370,036	-	-	-	(4,370,036)	-	(4,370,036)
Interest on debt	-	-	-	-	-	-	-
Total governmental activities	109,378,745	4,633,317	31,720,088	495,052	(72,530,288)	-	(72,530,288)
Business-type activities:							
Beaches and marinas	1,515,979	1,569,862	50	-	-	53,933	53,933
Waste management	2,197,650	1,791,992	28,202	-	-	(377,456)	(377,456)
Building and zoning	3,498,853	2,652,222	239,356	-	-	(607,275)	(607,275)
Golf course	633,436	729,464	2,403	-	-	98,431	98,431
Interest on debt	318,940	-	-	-	-	(318,940)	(318,940)
Total business-type activities	8,164,858	6,743,540	270,011	-	-	(1,151,307)	(1,151,307)
Total Primary Government	\$ 117,543,603	\$ 11,376,857	\$ 31,990,099	\$ 495,052	\$ (72,530,288)	\$ (1,151,307)	\$ (73,661,595)
Component Unit							
Economic assistance and opportunity	\$ 705,740	\$ 133,277	\$ 365,238	\$ -			\$ (207,225)
General revenues:							
Real property taxes					59,192,549	-	59,192,549
Other real property tax items					65,223	-	65,223
Non-property tax items					1,013,649	-	1,013,649
Interest earnings					568,086	5,664	573,750
State aid - unrestricted					7,301,340	-	7,301,340
Other					4,420,251	-	4,420,251
Total general revenues					72,561,098	5,664	72,566,762
Change in net assets					30,810	(1,145,643)	(1,114,833)
Total net assets, beginning of year, as restated (see Note 18)					610,603,466	14,590,920	625,194,386
Total net assets, end of year					\$ 610,634,276	\$ 13,445,277	\$ 624,079,553

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**

	MAJOR FUNDS							MAJOR FUNDS		
	General Fund	Police District Fund	Town Outside Village Fund	Highway Fund	Public Safety Communications	Non-major Governmental Funds	Total Operating Funds	Capital Projects Fund	Community Preservation Fund	Total Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 8,617,105	\$ 1,270,731	\$ 243,660	\$ 1,076,263	\$ 457,338	\$ 8,315,387	\$ 19,980,484	\$ 13,627,306	\$ -	\$ 33,607,790
Restricted cash	-	-	-	-	-	38,923	38,923	-	-	23,402,504
Accounts receivable, net	493,847	59,384	-	560	10,568	689,186	1,253,545	3,574	4,000	1,261,119
State and federal aid receivables	2,552,278	1,827,435	-	806,789	-	-	5,186,502	61,082	-	5,247,584
Due from fiduciary funds	3,656,682	-	-	603,734	-	167,068	4,427,484	-	7,457,611	11,885,095
Due from other governments	13,001	-	-	-	-	-	13,001	-	3,760,131	3,773,132
Prepaid charges	252,567	220,474	17,235	95,955	19,769	-	624,068	-	3,993	628,061
Other assets	800	-	-	-	-	-	800	-	-	800
Total assets	\$ 15,586,280	\$ 3,378,024	\$ 260,895	\$ 2,583,301	\$ 487,665	\$ 9,228,642	\$ 31,524,807	\$ 13,691,962	\$ 34,589,316	\$ 79,806,085
<b>LIABILITIES</b>										
Accounts payable	\$ 1,016,369	\$ 200,322	\$ -	\$ 270,537	\$ 72,234	\$ 1,040,534	\$ 2,599,996	\$ 1,868,398	\$ 16,864	\$ 4,485,258
Accrued liabilities	61,783	35,655	-	68,485	3,196	23,525	192,644	212,087	-	404,731
Bond anticipation notes payable	64,664	-	-	-	-	640,000	704,664	20,725,925	-	21,430,589
Due to employees' retirement system	790,204	1,363,957	42,778	208,615	-	43,015	2,448,569	-	16,176	2,464,745
Due to fiduciary funds	1,570	1,027,911	384,450	-	-	522,810	1,988,654	5,723,415	-	7,712,069
Due to other governments	28,808	-	-	-	-	-	28,808	-	-	28,808
Deferred revenues	1,988,230	1,639,899	136,965	929,618	185,435	972,556	5,852,703	-	-	5,852,703
Total liabilities	3,951,628	4,267,744	564,193	1,477,255	312,778	3,242,440	13,816,038	28,529,825	33,040	42,378,903
<b>FUND EQUITY (DEFICIT)</b>										
Fund balances - reserved:										
Encumbrances	12,649	26,137	28,250	19,815	-	55,907	142,758	-	28,150	170,908
Debt service	3,565,725	2,710	-	557,952	-	84,605	4,210,992	-	2,100,000	6,310,992
Tax stabilization	3,441,299	-	-	528,279	119,196	-	4,088,774	-	-	4,088,774
Community Preservation	-	-	-	-	-	-	-	-	32,428,126	32,428,126
Fund balances - unreserved:										
Undesignated	4,614,979	(918,567)	(331,548)	-	55,691	5,845,690	9,266,245	(14,837,863)	-	(5,571,618)
Total fund equity (deficit)	11,634,652	(689,720)	(303,298)	1,106,046	174,887	5,986,202	17,708,769	(14,837,863)	34,556,276	37,427,182
Total liabilities and fund equity (deficit)	\$ 15,586,280	\$ 3,378,024	\$ 260,895	\$ 2,583,301	\$ 487,665	\$ 9,228,642	\$ 31,524,807	\$ 13,691,962	\$ 34,589,316	\$ 79,806,085

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

Total Fund Equity - Governmental Funds \$ 37,427,182

Amounts reported for governmental activities in the Statement of Net Assets are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Assets:

Capital assets:			
Non-depreciable	\$ 475,217,109		
Depreciable	449,523,696		
Accumulated depreciation	<u>(202,042,020)</u>	722,698,785	

Long-term liabilities applicable to the Town'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 Assets:

General obligation bonds payable, inclusive of premiums	(118,376,396)		
Special assessment bonds with governmental commitment	(314,900)		
Due to employees' retirement system	(5,486)		
Compensated absences	(9,292,188)		
Judgments and claims payable	(1,313,626)		
Other post-employment benefits	(18,062,466)		
Estimated liability for landfill closure and post-closure care costs	<u>(3,904,950)</u>	(151,270,012)	

Deferred charges included in the Statement of Net Assets 250,442

Revenue that was not accrued on the governmental fund statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Assets. 2,533,044

Interest payable applicable to the Town'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 Statements of Net Assets. (1,005,165)

Net Assets - Governmental Activities \$ 610,634,276

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT) - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	MAJOR FUNDS						MAJOR FUNDS			
	General Fund	Police District Fund	Town Outside Village Fund	Highway Fund	Public Safety Communications	Non-major Governmental Funds	Total Operating Fundings	Capital Projects Fund	Community Preservation Fund	Total Governmental Funds
<b>REVENUES</b>										
Real property taxes	\$ 22,594,894	\$ 19,805,381	\$ 406,231	\$ 8,811,706	\$ 1,630,453	\$ 5,943,884	\$ 59,192,549	\$ -	\$ -	\$ 59,192,549
Other real property tax items	-	-	1,383	31,068	4,381	28,391	65,223	-	-	65,223
Non-property tax items	1,013,649	-	-	-	-	-	1,013,649	-	24,805,488	25,819,137
Special assessments	81,834	-	-	-	-	-	81,834	-	-	81,834
Departmental income	602,651	206,739	-	-	-	2,559,422	3,368,812	-	-	3,368,812
Intergovernmental charges	-	-	-	622,237	-	9,972	622,237	-	-	622,237
Use of money and property	278,014	31,372	8,192	13,425	2,444	-	343,419	52,134	172,533	568,086
Licenses and permits	38,250	-	-	-	-	-	38,250	-	-	38,250
Fines and forfeitures	1,617,193	-	-	-	-	-	1,617,193	-	-	1,617,193
Sale of property and compensation for loss	-	15,399	-	-	-	-	15,399	-	-	15,399
Miscellaneous local sources	921,099	144,038	24,250	118,982	65,520	841,986	2,115,875	93,660	4,334	2,213,889
State aid	5,430,085	1,871,245	-	956,789	-	-	8,258,129	495,052	-	8,753,181
Federal aid	560,434	31,889	-	-	-	3,796,283	4,328,606	-	-	4,328,606
<b>Total revenues</b>	<b>33,138,113</b>	<b>22,106,063</b>	<b>440,056</b>	<b>10,554,207</b>	<b>1,702,798</b>	<b>13,119,938</b>	<b>81,081,175</b>	<b>640,866</b>	<b>24,992,355</b>	<b>106,684,396</b>
<b>EXPENDITURES</b>										
General governmental support	13,829,002	-	-	-	-	210,739	14,039,741	-	19,856,380	33,896,121
Public safety	2,412,336	13,564,566	9,355	-	1,467,709	833,070	18,287,036	-	-	18,287,036
Health	1,125	-	-	-	-	2,503,997	2,505,122	-	-	2,505,122
Transportation	109,021	-	-	6,337,711	-	413,738	6,860,470	-	-	6,860,470
Economic assistance and opportunity	3,393,279	-	-	274,126	-	274,126	2,607,405	-	-	2,607,405
Culture and recreation	3,670,156	-	-	-	-	440,694	4,110,850	-	-	4,110,850
Home and community services	1,202,675	-	719,528	-	-	6,765,997	8,688,200	-	-	8,688,200
Employee benefits	5,918,212	6,449,176	368,689	1,899,644	454,031	425,998	15,515,750	9,753,807	-	15,616,014
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service -	-	-	-	-	-	-	-	-	-	-
Principal	3,712,387	63,700	-	1,671,700	-	700,253	6,148,040	-	6,685,000	12,833,040
Interest	1,224,796	9,391	-	690,522	-	320,391	2,245,040	-	2,124,996	4,370,036
<b>Total expenditures</b>	<b>34,412,989</b>	<b>20,086,773</b>	<b>1,097,572</b>	<b>10,599,577</b>	<b>1,921,740</b>	<b>12,689,003</b>	<b>81,007,654</b>	<b>9,753,807</b>	<b>28,766,640</b>	<b>119,528,101</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(1,274,876)</b>	<b>2,019,290</b>	<b>(657,516)</b>	<b>(45,370)</b>	<b>(218,942)</b>	<b>230,935</b>	<b>53,521</b>	<b>(9,112,941)</b>	<b>(3,784,285)</b>	<b>(12,843,705)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond anticipation notes redeemed from appropriations	-	-	-	-	-	-	-	2,720,000	-	2,720,000
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	40,000,000	40,000,000
Premium on debt issuance	5,511,399	2,710	-	1,307,952	-	384,605	7,206,666	5,159	-	5,159
Interfund transfers in	(51,710)	-	(83,116)	-	-	(31,650)	(166,476)	134,826	2,650,000	9,991,492
Interfund transfers out	-	-	-	-	-	-	-	(7,525,016)	(2,300,000)	(9,991,492)
<b>Total other financing sources (uses)</b>	<b>5,459,689</b>	<b>2,710</b>	<b>(83,116)</b>	<b>1,307,952</b>	<b>-</b>	<b>352,955</b>	<b>7,040,190</b>	<b>(4,665,031)</b>	<b>40,350,000</b>	<b>42,725,159</b>
Changes in fund equity (deficit)	4,184,813	2,022,000	(740,632)	1,282,582	(218,942)	583,890	7,093,711	(13,777,972)	36,565,715	29,881,454
Fund equity (deficit), beginning of year, as restated (see Note 18)	7,449,839	(2,911,720)	437,394	(156,536)	393,829	5,402,312	10,615,058	(1,059,891)	(2,009,439)	7,545,728
<b>Fund equity (deficit), end of year</b>	<b>11,634,652</b>	<b>(899,720)</b>	<b>(303,298)</b>	<b>1,106,046</b>	<b>174,887</b>	<b>5,986,202</b>	<b>17,708,769</b>	<b>(14,837,863)</b>	<b>34,556,276</b>	<b>37,427,182</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY (DEFICIT) TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund equity - governmental funds		\$ 29,881,454
<p>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 capital outlay exceeds depreciation in the current period is:</p>		
Capital outlay	\$ 26,984,514	
Depreciation expense	<u>(17,427,505)</u>	9,557,009
<p>Other assets not available to pay for current period expenditures and, therefore, are deferred in the Statement of Net Assets.</p>		
		17,009
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.</p>		
Issuance of bonds	(40,000,000)	
Repayment of bond principal	10,048,740	
Repayment of special assessment bonds	<u>82,500</u>	(29,868,760)
<p>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:</p>		
Other post-employment benefits	(9,020,848)	
Employees' retirement system	24,530	
Compensated absences	370,535	
Judgments and claims payable	(749,774)	
Estimated liability for landfill closure and post-closure care costs	(151,781)	
Accrued interest costs	<u>(28,564)</u>	<u>(9,555,902)</u>
Net change in net assets - governmental activities		<u>\$ 30,810</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	MAJOR BUSINESS-TYPE ACTIVITIES				NON-MAJOR BUSINESS TYPE ACTIVITIES	
	Beaches and Marinas	Waste Management	Building and Zoning	Golf Course	Total Proprietary Funds	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 112,085	-	\$ 1,721,794	\$ 719,555	\$	2,553,434
Accounts receivable, net	-	30,001	-	6,600	-	36,601
Due from fiduciary funds	-	-	1,328,640	-	-	1,328,640
Prepaid expenses	1,154	11,032	39,480	-	-	51,666
Inventory of materials and supplies	-	20,057	-	-	-	20,057
<b>Total current assets</b>	<b>113,239</b>	<b>61,090</b>	<b>3,089,914</b>	<b>726,155</b>	<b>\$</b>	<b>3,990,398</b>
<b>Non-current assets:</b>						
Non-depreciable capital assets	8,024,789	169,100	-	3,093,174	-	11,287,063
Depreciable capital assets, net of depreciation	6,122,918	5,608,543	142,922	494,477	-	12,368,860
<b>Total non-current assets</b>	<b>14,147,707</b>	<b>5,777,643</b>	<b>142,922</b>	<b>3,587,651</b>	<b>\$</b>	<b>23,655,923</b>
<b>Total assets</b>	<b>\$ 14,260,946</b>	<b>\$ 5,838,733</b>	<b>\$ 3,232,836</b>	<b>\$ 4,313,806</b>	<b>\$</b>	<b>27,646,321</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	\$ 20,754	\$ 76,517	\$ 20,163	\$ 8,869	\$	126,303
Accrued interest payable	37,324	24,237	-	-	-	61,561
Due to employees retirement system	7,749	39,123	146,370	-	-	193,242
Bond anticipation notes payable	80,000	2,500,000	-	-	-	2,580,000
Due to fiduciary funds	1,649,406	2,303,340	-	159,122	-	4,111,868
Deferred revenues	-	23,983	84,454	-	-	107,837
Non-current liabilities due within one year - General obligation bonds payable	385,741	146,100	-	-	-	531,841
<b>Total current liabilities</b>	<b>2,180,974</b>	<b>5,112,700</b>	<b>250,987</b>	<b>167,991</b>	<b>\$</b>	<b>7,712,652</b>
<b>Non-current liabilities:</b>						
General obligation bonds payable	4,220,639	1,968,300	-	-	-	6,188,939
Compensated absences	25,147	99,429	174,877	-	-	299,453
<b>Total non-current liabilities</b>	<b>4,245,786</b>	<b>2,067,729</b>	<b>174,877</b>	<b>-</b>	<b>\$</b>	<b>6,488,392</b>
<b>Total liabilities</b>	<b>6,426,760</b>	<b>7,180,429</b>	<b>425,864</b>	<b>167,991</b>	<b>\$</b>	<b>14,201,044</b>
<b>Net Assets (Deficit)</b>						
Investment in capital assets, net of related debt	9,541,327	3,663,243	142,922	3,587,651	-	16,935,143
Reserved for encumbrances	17,458	-	-	-	-	17,458
Unrestricted	(1,724,599)	(5,004,939)	2,664,050	558,164	-	(3,507,324)
<b>Total net assets (deficit)</b>	<b>7,834,186</b>	<b>(1,341,696)</b>	<b>2,806,972</b>	<b>4,145,815</b>	<b>\$</b>	<b>13,445,277</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 14,260,946</b>	<b>\$ 5,838,733</b>	<b>\$ 3,232,836</b>	<b>\$ 4,313,806</b>	<b>\$</b>	<b>27,646,321</b>

The accompanying notes to financial statements are an  
integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (DEFICIT)**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	MAJOR BUSINESS-TYPE ACTIVITIES			NON-MAJOR BUSINESS TYPE ACTIVITIES	Total Proprietary Funds
	Beaches and Marinas	Waste Management	Building and Zoning	Golf Course	
<b>Operating revenues:</b>					
Charges for services	\$ 1,569,862	\$ 1,791,992	\$ 2,652,222	\$ 729,464	\$ 6,743,540
Other	50	28,202	239,356	2,403	270,011
Total operating revenues	1,569,912	1,820,194	2,891,578	731,867	7,013,551
<b>Operating expenses:</b>					
Beaches and marinas	1,143,626	-	-	-	1,143,626
Waste management	-	1,529,098	-	-	1,529,098
Building and zoning	-	-	2,248,575	-	2,248,575
Golf course	-	-	-	616,992	616,992
Depreciation	273,809	342,958	38,192	16,444	671,403
Employee benefits	98,544	325,594	1,212,086	-	1,636,224
Total operating expenses	1,515,979	2,197,650	3,498,853	633,436	7,845,918
Operating income (loss)	53,933	(377,456)	(607,275)	98,431	(832,367)
<b>Non-operating revenues (expenses):</b>					
Interest on investment	3,285	1,497	-	882	5,664
Interest on debt	(203,660)	(115,280)	-	-	(318,940)
Total non-operating revenues (expenses)	(200,375)	(113,783)	-	882	(313,276)
Change in net assets	(146,442)	(491,239)	(607,275)	99,313	(1,145,643)
Total net assets (deficit), beginning of year, as restated (see Note 18)	7,980,628	(850,457)	3,414,247	4,046,502	14,590,920
Total net assets (deficit), end of year	\$ 7,834,186	\$ (1,341,696)	\$ 2,806,972	\$ 4,145,815	\$ 13,445,277

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
DECEMBER 31, 2009**

	MAJOR BUSINESS-TYPE ACTIVITIES			NON-MAJOR BUSINESS TYPE ACTIVITIES		Total Proprietary Funds
	Beaches and Marinas	Waste Management	Building and Zoning	Golf Course		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Revenue collected:						
Cash receipts from customers	\$ 1,569,862	\$ 1,762,278	\$ 2,673,168	\$ 722,864	\$ 6,728,172	
Other operating cash receipts	50	28,202	239,356	2,403	270,011	
Payments for expenses:						
Cash payments to other suppliers of goods or services	(1,726,046)	(2,087,771)	(3,445,785)	(584,610)	(7,844,212)	
Cash payments to employees for services and related expenses	(96,544)	(325,594)	(1,396,024)	-	(1,820,162)	
Net cash provided (used) by operating activities	(254,678)	(622,885)	(1,929,285)	140,657	(2,666,191)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Sale (purchases) of capital assets	1,111,462	(1,349,127)	(1)	(2,940)	(240,606)	
Proceeds from issuance of bond anticipation note	80,000	2,500,000	-	-	2,580,000	
Principal paid on capital debt	(379,160)	(139,600)	-	-	(518,760)	
Interest paid on capital debt	(203,660)	(115,280)	-	-	(318,940)	
Net cash used by capital and related financing activities	608,642	895,993	(1)	(2,940)	1,501,694	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and earnings received	3,285	1,497	-	882	5,664	
Net cash provided by investing activities	3,285	1,497	-	882	5,664	
Net increase (decrease) in cash and cash equivalents	357,249	274,605	(1,929,286)	138,599	(1,168,839)	
Cash and cash equivalents, beginning of year	(245,164)	(274,605)	3,651,080	580,956	3,712,267	
Cash and cash equivalents, end of year	\$ 112,085	\$ -	\$ 1,721,794	\$ 719,555	\$ 2,553,434	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 53,933	\$ (377,456)	\$ (607,275)	\$ 98,431	\$ (832,367)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	273,809	342,958	38,192	16,444	671,403	
Accounts receivable	-	(29,714)	20,946	(6,600)	(15,368)	
Due from fiduciary funds	2,202,793	-	(1,328,640)	20,348	894,501	
Prepaid expenses	17,875	18,579	96,031	-	132,485	
Accounts payable and accrued liabilities	15,176	(16,551)	(39,333)	(659)	(41,577)	
Due to employees retirement system	7,749	39,123	146,370	-	193,242	
Due to fiduciary funds	1,270,246	(538,243)	(134,893)	159,122	766,232	
Due to governmental funds	(4,100,582)	(9,324)	-	(146,229)	(4,256,135)	
Deferred revenues	-	23,383	64,605	-	87,988	
Compensated absences	4,323	(75,630)	(185,288)	-	(256,595)	
Net cash provided (used) by operating activities	\$ (254,678)	\$ (622,885)	\$ (1,929,285)	\$ 140,657	\$ (2,666,191)	

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**

<b>ASSETS</b>	<u>Agency Funds</u>
Cash	\$ 77,710,477
Accounts receivable, net	3,806
Prepaid charges	7,209
Due from enterprise funds	4,111,868
Due from governmental funds	7,712,069
Service award program assets	1,039,273
	<hr/>
Total assets	<u>\$ 90,584,702</u>
<b>LIABILITIES</b>	
Due to enterprise funds	\$ 1,328,640
Due to governmental funds	11,885,095
Due to school districts	47,832,927
Due to Law Enforcement Services	27,728
Due to justices	184,023
Bail liability	337,479
Service award program liabilities	1,039,273
Other agency liabilities	27,949,537
	<hr/>
Total liabilities	<u>\$ 90,584,702</u>

The accompanying notes to financial statements are an  
integral part of this statement.

**TOWN OF SOUTHAMPTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. BACKGROUND**

The Town of Southampton (the "Town"), was established in 1801 and is governed by Town Law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations. The Town Board consists of the Supervisor who is elected for a term of two years and four council members who are elected for terms of four years. The Town Board appoints the Town Attorney, Comptroller and the Commissioner of Public Works whose terms are fixed by Town Law. The Town Clerk, the Superintendent of Highways and Receiver of Taxes are elected and serve for four years. The Town Board appoints various department heads.

The Town provides a full range of municipal services, including police and justice court, home and community services, public works and road maintenance, recreation and parks, and general and administrative services.

The accompanying financial statements include all funds of the Town for which the elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. All such entities of the Town have been included in this report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Southampton have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Town accounting policies are described below.

**A. Reporting entity**

The financial reporting entity consists of: (a) the primary government, which is the Town of Southampton; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units.

The decision to include a potential component unit in the Town of Southampton reporting entity is based on several criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units, including legal standing, dependency and financial accountability. Based on the application of these criteria, a summary of certain entities considered in determining the Town of Southampton's reporting entity is discussed below.

The Trustees of the Freeholders and Commonalty of the Town of Southampton (the "Trustees") are independently elected and are responsible for the receipt, maintenance and safety of legally specified property. Operations are supported by user fee revenues established by the Trustees and derived from the issuance of building, mooring and boat ramp permits, as well as budgeted appropriations from the Town. The Town approves the hiring of employees and records the compensation of most employees, as well as all of the capital projects of the Trustees on the books of the Town. The Trustees is accounted for as a blended component unit of the Town and is reported as a special revenue fund in the non-major governmental funds. Complete financial statements of the Trustees can be obtained from their administrative office: The Trustees of the Freeholders and Commonalty of the Town of Southampton, 116 Hampton Road, Southampton, N.Y. 11968.

The Town of Southampton Housing Authority (the "Authority") provides housing for low income residents of the Town of Southampton. The Authority is governed by its Board of Directors, which is comprised of five members appointed by the Town of Southampton. Long-term debt that is backed by the full faith and credit of the Town, and other fiscal matters result in a fiscal interdependency with the Town. Accordingly, the Authority has been determined to be a component unit of the Town and is presented discretely in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Complete financial statements of the Authority can be obtained from their administrative offices: Town of Southampton Housing Authority, 116 Hampton Road, Southampton, NY 11968.

B. Excluded from the reporting entity

Within the geographic boundaries of the Town are seven incorporated villages, 21 hamlets, 13 school districts and 9 fire districts. These entities are excluded from the Town's financial statements because their operations are controlled by officials elected by their respective constituencies and the Town has no fiscal responsibilities to them and cannot influence their operations.

The Town does not exercise oversight responsibility over these entities and their financial statements are not part of the Town's combined financial statements.

C. Joint venture

A joint venture is a legal entity or other organization that results from a contractual agreement, and is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Town participates in the following joint venture:

The Town of Southampton and the Town of East Hampton entered into an inter-municipal agreement to purchase and operate a public golf course, driving range, and related facilities, known as the Poxabogue Golf Course. The Towns share equal and undivided ownership of the Golf Course and share equally all profits or losses of operating and maintaining the Golf Course. The Poxabogue Golf Course is presented as a non-major fund in the proprietary fund financial statements. Complete financial statements for the Town of East Hampton can be obtained from the Town of East Hampton, 159 Pantigo Road, East Hampton, NY 11937.

D. Basis of presentation

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

1. Government-wide statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the primary government and its component unit. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. All of the activities of the Town as primary government are governmental activities.

In the government-wide Statement of Net Assets, the Town'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 Town's net assets are reported in three parts - invested in capital assets, net of related debt, restricted net assets and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functional categories (public safety, transportation, home and community services, etc.), which are otherwise supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues 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 revenues (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 Town as an entity and the change in the Town's net assets resulting from the current year's activities.

## 2. Fund statements

The fund financial statements are similar to the financial statements presented in the previous model. The emphasis is on the major funds in the fund financial statements. Non-major funds are summarized into a single column.

The accounts of the Town 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, liabilities, 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 Town 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. Governmental funds are further classified as major or non-major funds.

The Town reports the following major governmental funds:

General Fund: is the principal operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in other funds.

Police District Fund: is used to account for financial resources for police purposes.

Town Outside Village Fund: is used for revenues and expenditures for certain services provided to the area of the Town located outside of the Incorporated Villages.

Highway Fund: is used to account for revenues and expenditures for highway purposes.

Public Safety Communications: is used to account for financial resources for the operation of the E-911 communication facility.

Capital Projects Fund: is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Community Preservation Fund: is used to account for financial resources for land acquisition and preservation purposes (current legislation provides for this fund through the 2030 fiscal year).

Additionally, the Town reports the following non-major funds:

Special Revenue Funds: are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds include the following:

Special Grant Fund: is used to account for the revenues and expenditures related to federal aid for the Community Development Block Grant Program and the Section 8 Housing Choices Vouchers Program.

Special Fund: is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Trustees of the Freeholders and Commonalty: is used to account for financial resources for the preservation and protection of the waterways.

Special District Funds: are used to account for taxes or other revenues, which are raised or received to provide special services to areas that encompass less than the whole Town. The Special District Funds consist of a number of separate districts, which are administered by the Town Board as follows:

Fire Protection Districts:

North End Quogue	Noyac
Baypoint	

Lighting Districts:

Eastport	Flanders
Westhampton	Quogue
East Quogue	Hampton Bays
Riverside	Bridgehampton
Water Mill	

Parking Districts:

Hampton Bays	Bridgehampton
--------------	---------------

Water Districts:

Flanders	Hampton Bays
----------	--------------

Ambulance Districts:

Westhampton	Northampton
Hampton Bays	Southampton

Coastal Erosion

Parks Districts

3. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit) and a Statement of Cash Flows for each major proprietary fund and the non-major fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit) present increases (revenues) and decreases (expenses) in total net assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Beaches and Marinas, Waste Management, Building and Zoning Funds and Golf Course are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town applies all applicable Financial Accounting Standards Board (FASB) Statements and interpretations except those that conflict with or contradict GASB pronouncements to its business-type activities.

The Town reports the following major proprietary funds:

Enterprise Funds: used to account for the following operations:

Beaches and Marinas: used to account for operations related to the Town's beaches and marinas.

Waste Management: used to account for operations related to the Town's refuse.

Building and Zoning: used to account for building and zoning operations.

Additionally, the Town reports the following non-major proprietary fund:

Golf Course: used to account for operations related to Poxabogue Golf Course.

#### 4. Fiduciary Funds:

The fiduciary funds are used to account for the assets held by the Town in a trustee capacity or as agency for individuals, private organizations and their governments. These activities are not included in the government-wide financial statements, because their resources do not belong to the Town, and are not available to be used.

The Town reports the following fiduciary funds:

Agency Fund: is for money (and/or property) received and held in the capacity of trustee, custodian or agent. The Town's fiduciary funds include agency funds as follows:

Town Agency Fund: accounts for consolidated payroll, amounts due to/from other governments, service award programs and other agency liabilities.

Town Receiver of Taxes Agency Fund: accounts for amounts due to other governments for general and school taxes collected.

Town Clerk Agency Fund: accounts for amounts due to other governments for license and permit fees.

Justice Court Agency Fund: accounts for amounts due to other governments and bail liability.

#### E. Measurement focus and basis of accounting

Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus and are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the year end.

Revenues susceptible to accrual include Suffolk County local assistance at year end on behalf of the Town, franchise fees, charges for services, intergovernmental revenues and operating transfers. Permits, fees, and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. In those instances where expenditures are the prime factor in determining eligibility for state and federal grants, revenues are recognized when the expenditure is incurred. In the Capital Projects Fund, long-term debt is recognized as revenue upon receipt of the proceeds. Expenditures are recorded on the accrual basis except that (a) expenditures for prepaid expenses are recognized when incurred, (b) principal and interest on indebtedness are recognized as expenditures when due and (c) compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as expenditures when paid.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded for budgetary control purposes in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as reservations 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.

#### F. Property taxes

In Suffolk County, the assessment and lien of real property for taxation is done by the County Department of Assessment. The County assessment rolls are used for the levy of real property taxes by the Town and the school districts, as well as by the County and by special districts of the County and the Town.

The Town of Southampton Receiver of Taxes ("Receiver") collects all real property taxes for the Town, Suffolk County, Town special districts and school districts located within the Town of Southampton as a single bill. Town and County taxes are levied on December 1<sup>st</sup>, and are due in two equal installments, payable without penalty on January 10<sup>th</sup> and May 31<sup>st</sup> respectively. Penalties are imposed thereafter at the rate of 1% per month from January 10<sup>th</sup> until May 31<sup>st</sup>, after which taxes are payable to the County Treasurer. The Receiver collects all taxes based on this single bill and distributes the proceeds to the Town Supervisor prior to distributing the remaining collected to the County. Responsibility for the collection of unpaid taxes rests with the County and, accordingly, the Town is assured 100% collection of real property taxes.

## G. Interfund transactions

Interfund transactions have been eliminated from the government-wide financial statements. In the fund financial statements interfund transactions include:

### 1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of the fund receiving the service.

### 2. Transfers

Interfund transfers represent payments to/from other funds for reimbursement of costs paid by one fund for another fund or funding for capital projects.

## H. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

## I. Cash and investments

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Town.

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

## J. Receivables

Receivables include amounts due from federal, state and other governments or entities for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

## K. Inventory - materials and supplies

Inventory in the proprietary funds is valued at cost, using the weighted average cost method. Inventory in these funds is accounted for under the consumption method.

## L. Prepays

Prepays in the government-wide statements represent retirement benefits and insurance that will benefit a future period.

## M. Restricted assets

Certain assets of the Water District and Community Preservation Fund are classified as restricted assets because their use is restricted by contractual agreements and regulations.

N. Capital assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-30 years
Infrastructure -	
Bridges	50 years
Landfill	30 years
Roads, curbs and sidewalks	20-30 years
Lighting system	15 years
Bulkheads, piers and boardwalks	10-30 years
Water and sewer mains	65 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

O. Premiums on debt issuance

Premiums related to the issuance of long-term debt are amortized on a straight-line basis over the life of the issue and are presented as part of general obligation bonds payable.

P. Deferred charges

Discounts and expenses related to the issuance of long-term debt and the loss on the early retirement of refunded debt are amortized on a straight-line basis over the life of the issue, and are presented net of accumulated amortization.

Q. Deferred revenues

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the Town receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

R. Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions, as well as short-term interfund loans are classified as "due to and from other funds". Long-term interfund loans (non-current portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

S. Long-term obligations

The liabilities for long-term obligations consisting of general obligation bonds, due to Employees' Retirement System, compensated absences, claims and judgments, other post-employment benefits and liability for landfill closure and post-closure care costs are recognized in the government-wide financial statements.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

T. Compensated absences (accumulated unpaid vacation, sick pay and other employee benefits)

Town employees receive accumulated earned but unused vacation and sick pay benefits pursuant to labor contracts or Town policies. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave 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 non-current obligations in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, only the compensated absence liability payable from expendable available financial resources is incurred. The amount that is expected to be liquidated with expendable available financial resources is reported as expenditures and a liability in the funds statement and the respective fund that will pay it.

U. Notes payable

Tax anticipation notes and revenue anticipation notes are generally recorded as fund liabilities in the fund receiving the proceeds. Bond anticipation notes are classified as fund liabilities in the funds receiving the proceeds unless all legal steps have been taken to refinance the notes and the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis at which time they are recorded as another financing source, bond anticipation notes redeemed from appropriations, in the governmental funds financial statements. In the government-wide Statement of Net Assets they are recorded as a liability.

V. Equity classifications:

Government-wide financial statements

In the government-wide financial statements there are three classes of net assets:

Invested in capital assets, net of related debt: consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted net assets: reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets: reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Town.

Fund financial statements

In the fund financial statements, governmental fund equity is classified as fund equity. Fund equity is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Portions of fund equity are segregated for future use and therefore not available for future appropriation or expenditure. Amounts reserved for encumbrances, bond retirement, tax stabilization and community preservation represent portions of fund equity, which are required to be segregated in accordance with state or local law or GAAP. Designations of fund balances in governmental funds indicate the utilization of these resources in the subsequent year's budget or tentative plans for future use.

### **3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS FINANCIAL STATEMENTS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the government-wide financial statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

#### **A. Total fund balances of governmental funds vs. net assets of governmental activities**

Total fund balances of the Town's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheet.

#### **B. Statement of Revenues, Expenditures and Changes in Fund Equity (Deficit) vs. Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity (Deficit) and the Statement of Activities fall into one of four broad categories. The categories are shown below:

##### **1. Long-term revenue/expense differences**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

##### **2. Capital related differences**

Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund financial statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund financial statements and depreciation expense on those items as recorded in the Statement of Activities.

##### **3. Long-term debt transaction differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

##### **4. Reclassifications and eliminations**

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### A. Budgetary Data

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

1. On or before September 20<sup>th</sup>, each department, office or district submits to the Budget Officer and the Comptroller a detailed estimate of the budget known as “departmental estimates” for the amount of revenue to be received and expenditures to be made for the ensuing year.
2. On or before September 30<sup>th</sup>, the Budget Officer files with the Town Clerk and the Comptroller and presents to the Town Board a tentative budget for the ensuing year.
3. On or before October 5<sup>th</sup>, the Town Board reviews the tentative budget and files a preliminary budget with the Town Clerk.
4. The Town Board conducts a public hearing on the preliminary budget and on or before November 20<sup>th</sup>, the Town Board meets to adopt the budget now known as the “adopted budget”.
5. Formal budgetary integration is employed during the year as a management control device for the General Fund and certain Special Revenue Funds. The Town Board adopts the budget and establishes legal level of control of the budget at the object level of expenditures. The object level identifies expenditures by the article purchased or service obtained in order to carry out a function. Appropriations are adopted at the object level. All budgetary amendments and transfers of appropriation require Town Board approval. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. In order to show the full legal level of budgetary compliance for the General Fund and certain Special Revenue Funds, detailed individual statements of revenues, expenditures and changes in fund equity – budget and actual, are presented in a separate budget report.
6. Budgets for the General Fund and certain Special Revenue Funds are legally adopted for each year. The budgets are adopted on a basis of accounting consistent with GAAP. In the event that actual revenues received exceed budgeted amounts, additional budgetary appropriations are made. The Capital Projects Fund and Special Grant Funds are budgeted on a project or grant basis. The Special Revenue Fund and the Trustees of the Freeholders and Commonalty do not have annually adopted budgets.

##### B. Fund balances

###### Fund deficits

Individual funds with total fund deficits as of December 31, 2009 were as follows:

	Fund Deficit Unreserved and Undesignated	Total Fund Balance (Deficit)
Police District Fund	\$ (918,567)	\$ (889,720)
Town Outside Village Fund	(331,548)	(303,298)
Capital Projects Fund	(14,837,863)	(14,837,863)
Fire Protection Districts	(135,802)	(135,802)
Waste Management Fund	(5,004,939)	(1,341,696)

The Police District Fund deficit resulted from under-budgeting the contractual salary increases and use of anticipated surplus funds that were not realized over the course of several years. The Town anticipates eliminating this deficit through increases in subsequent year budget appropriations, which will result in increased tax assessment for the Police District Fund.

The Town Outside Village Fund deficit is due to increased salary costs and increases in employee benefits. The Town anticipates eliminating this deficit through increases in subsequent year budget appropriations which will result in increased tax assessment for the Town Outside Village Fund.

The Capital Projects Fund deficit is due to differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated in the future when the Town issues permanent financing for these projects.

The Fire Protection Districts deficit resulted from unanticipated increases in electric costs. The Town anticipates eliminating this deficit through increases in subsequent year budget appropriations which will result in increased tax assessment for the Fire Protection Districts.

The Waste Management Fund deficit resulted from depreciation charges and debt service costs. The Town anticipates eliminating this deficit through increasing property taxes for the debt service charges relating to infrastructure improvements. The Town also will develop a deficit reduction plan in the upcoming year.

C. Fund balance reserves

Reservations of fund balance are created to either satisfy legal restrictions or to plan for future expenditures. A designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the subsequent year's budget. The following are descriptions of the reserves used by the town.

1. Reserve for encumbrances

This reserve represents the amount of outstanding encumbrances at the end of the year to be potentially expended in the subsequent year.

2. Mandatory reserve for debt service

The Town has established a mandatory Reserve for Debt Service in accordance with General Municipal Law Section 6-l. The balance of \$6,310,992 at December 31, 2009 represents the excess proceeds from capital projects that have been closed out during the fiscal year. In accordance with the purpose of this reserve fund, the remaining balance will be used to pay outstanding debt service payments on the general obligation bonds used to originally purchase the property. A summary of the activity in the mandatory reserve for debt service for the year ended December 31, 2009 is as follows:

Balance - beginning	\$ -
Excess proceeds from closed capital projects	<u>6,310,992</u>
Balance - ending	<u>\$ 6,310,992</u>

3. Reserve for Community Preservation Fund

The Town established a Community Preservation Fund (the "CPF") in accordance with Town Law Section 64-d and 64-e and Local Law Section 139 for the purpose of protecting and preserving open and undeveloped lands in the Town of Southampton, including wetlands, woodlands, agricultural lands, shore lands, and other natural resources of the Town, for the purpose of protecting historic place and properties within the Town and for the purpose of providing the Town's visitors and residents with outdoor recreational opportunities. Funding of this reserve is primarily from revenues collected from the two percent real estate transfer tax imposed by the Town pursuant to Article 31-D of New York State Tax Law. In accordance with Local Law Section 139, financial activities for the Community Preservation Fund are maintained in a separate bank account. The Town currently accounts for the financial activity of the Community Preservation Fund as a major governmental fund. In accordance with the purpose of this fund, not more than ten percent of the fund shall be utilized for management and stewardship activities. Upon completion of the Community Preservation Project Plan, any remaining funds will be applied to reduce any bonded indebtedness or other obligations occurred.

5. **CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS**

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months.

The Town's investments are governed by a formal investment policy. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Town is authorized to use certificates of deposit, N.O.W., super N.O.W. accounts and money market deposit accounts.

It is the Town's policy to require collateral held in the name of the Town for demand deposits, money market deposits and certificates of deposit for all deposits not covered by federal deposit insurance. 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.

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 able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB Statement No. 40, Deposit and Investment Risk Disclosures, directs that deposits be 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 Town's name

At December 31, 2009, the Town's book balances were \$137,274,205. The Town's bank deposit balances were \$139,388,899, of which \$2,048,190 was covered by the Federal Deposit Insurance Corporation, \$122,797,007 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name and \$14,543,793 was collateralized with securities held by the pledging financial institution, or its trust, in the name of the Town.

At December 31, 2009, the Town's component unit's bank balances were entirely covered by the Federal Deposit Insurance Corporation.

Credit Risk: State law and Town law limit investments to those authorized by State statutes. The Town has a written investment policy.

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

As of December 31, 2009, the Town did not have any investments subject to credit risk, interest-rate risk, concentration of credit risk, or custodial credit risk.

## **6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivable and payable balances for the primary government at December 31, 2009 represent primarily the payment of operating expenditures that will be reimbursed subsequent to year end and are stated as follows:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
Major Governmental Funds:		
General Fund	\$ 3,656,682	\$ 1,570
Police District Fund	-	1,027,911
Town Outside Village Fund	-	384,450
Highway Fund	603,734	-
Public Safety Communications	-	51,913
Capital Projects Fund	-	5,723,415
Community Preservation Fund	7,457,611	-
Non-Major Governmental Funds:	167,068	522,810
Major Business-Type Funds:		
Beaches and Marinas	-	1,649,406
Waste Management	-	2,303,340
Building and Zoning	1,328,640	-
Non-Major Business-Type Fund	-	159,122
Agency Funds	11,823,937	13,213,735
	<u>\$ 25,037,672</u>	<u>\$ 25,037,672</u>

Interfund transfer balances for the primary government at December 31, 2009 represent primarily the payment of operating and capital expenditures in addition to general obligation bond and bond anticipation note principal and interest and are stated as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 5,511,399	\$ 51,710
Police District Fund	2,710	-
Town Outside Village Fund	-	83,116
Highway Fund	1,307,952	-
Public Safety Communications	-	-
Capital Projects Fund	134,826	7,525,016
Community Preservation Fund	2,650,000	2,300,000
Non-Major Governmental Funds	384,605	31,650
	<u>\$ 9,991,492</u>	<u>\$ 9,991,492</u>

## 7. CAPITAL ASSETS

Governmental funds capital asset balances and activity for the year ended December 31, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 457,985,484	\$ 17,231,625	\$ -	\$ 475,217,109
Total	<u>\$ 457,985,484</u>	<u>\$ 17,231,625</u>	<u>\$ -</u>	<u>475,217,109</u>

Depreciable capital assets:				
Buildings	\$ 37,752,207	\$ 2,268,122	\$ 470,901	\$ 40,491,230
Improvements other than buildings	13,757,510	519,077	7,850	14,284,437
Machinery and equipment	22,547,189	1,174,782	-	23,721,971
Infrastructure -				
Bridges	970,110	81,935	-	1,052,045
Landfill	9,412,515	-	-	9,412,515
Roads, curbs and sidewalks	335,736,834	4,849,491	-	340,586,325
Lighting system	1,349,791	-	-	1,349,791
Bulkheads, piers and boardwalks	9,053,731	292,473	-	9,346,204
Water and sewer mains	8,712,169	567,009	-	9,279,178
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total depreciable capital assets	<u>\$ 439,292,056</u>	<u>\$ 9,752,889</u>	<u>\$ 478,751</u>	<u>449,523,696</u>

Less accumulated depreciation:				
Buildings	\$ 6,784,959	\$ 758,092	\$ 28,582	7,571,633
Improvements other than buildings	5,089,022	557,830	(1,492)	5,645,360
Machinery and equipment	12,653,466	2,057,237	-	14,710,703
Infrastructure -				
Bridges	137,745	21,121	-	158,866
Landfill	4,338,362	311,751	-	4,650,113
Roads, curbs and sidewalks	147,163,131	13,305,913	-	160,469,044
Lighting system	1,242,578	25,588	-	1,268,166
Bulkheads, piers and boardwalks	4,373,076	256,222	-	4,629,298
Water and sewer mains	2,805,086	133,751	-	2,938,837
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depreciation	<u>\$ 184,587,425</u>	<u>\$ 17,427,505</u>	<u>\$ 27,090</u>	<u>202,042,020</u>
Total depreciable capital assets, net				<u>247,481,676</u>
Total capital assets, net				<u>\$ 722,698,785</u>

Depreciation expense was charged to governmental functions as follows:		
General governmental support		\$ 1,348,356
Public safety		672,301
Transportation		14,141,631
Economic assistance and opportunity		84,250
Culture and recreation		389,948
Home and community services		791,019
		<u>                    </u>
Total governmental activities depreciation expense		<u>\$ 17,427,505</u>

Enterprise Funds capital asset balances and activity for the year ended December 31, 2009 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 11,012,803	\$ -	\$ 274,260	\$ 11,287,063
Total	<u>\$ 11,012,803</u>	<u>\$ -</u>	<u>\$ 274,260</u>	<u>11,287,063</u>
Depreciable capital assets:				
Buildings	\$ 4,980,379	\$ -	\$ (460,000)	4,520,379
Improvements other than buildings	7,233,132	1,078,558	265,941	8,577,631
Machinery and equipment	2,537,532	335,214	(152,560)	2,720,186
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total depreciable capital assets	<u>\$ 14,751,043</u>	<u>\$ 1,413,772</u>	<u>\$ (346,619)</u>	<u>15,818,196</u>

Less accumulated depreciation:				
Buildings	\$ 843,962	\$ 90,053	\$ -	\$ 934,015
Improvements other than buildings	437,743	374,774	(2,317)	810,200
Machinery and equipment	<u>1,537,295</u>	<u>206,576</u>	<u>(38,750)</u>	<u>1,705,121</u>
Total accumulated depreciation	<u>\$ 2,819,000</u>	<u>\$ 671,403</u>	<u>\$ (41,067)</u>	<u>3,449,336</u>
Total depreciable capital assets, net				<u>12,368,860</u>
Total capital assets, net				<u>\$ 23,655,923</u>

Depreciation expense was charged to enterprise functions as follows:

Beaches and marinas	\$ 273,809
Waste management	342,958
Building and zoning	38,192
Golf course	<u>16,444</u>
Total enterprise funds depreciation expense	<u>\$ 671,403</u>

The Town of Southampton evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Town's policy is to record an impairment loss in the period when the Town determines that the carrying amount of the asset will not be recoverable. At December 31, 2009, the Town has not recorded any such impairment losses.

Discretely presented component unit's capital asset balances and activity for the year ended December 31, 2009 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 620,500	\$ -	\$ -	\$ 620,500
Total	<u>\$ 620,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>620,500</u>
Depreciable capital assets:				
Buildings	\$ 2,441,796	\$ -	\$ (6,000)	2,435,796
Site improvements	248,786	15,093	6,000	269,879
Equipment	<u>38,367</u>	<u>14,248</u>	<u>-</u>	<u>52,615</u>
Total depreciable capital assets	<u>\$ 2,728,949</u>	<u>\$ 29,341</u>	<u>\$ -</u>	<u>2,758,290</u>
Less accumulated depreciation:				
Buildings	\$ 205,921	\$ 61,167	\$ -	267,088
Site improvements	2,208	2,208	-	4,416
Equipment	<u>7,461</u>	<u>7,516</u>	<u>-</u>	<u>14,977</u>
Total accumulated depreciation	<u>\$ 215,590</u>	<u>\$ 70,891</u>	<u>\$ -</u>	<u>286,481</u>
Total depreciable capital assets, net				<u>2,471,809</u>
Total capital assets, net				<u>\$ 3,092,309</u>
Depreciation expense was charged as follows:				
Home and community services				<u>\$ 70,891</u>

## 8. SHORT-TERM DEBT

Bond anticipation notes (BANs) are used as a temporary means of financing capital expenditures in the Capital Projects Fund and land acquisitions in the Community Preservation Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. Liabilities for BANs are generally accounted for in the Capital Projects Fund and Community Preservation Fund. BANs are expected to be paid from the proceeds of future bond issues after renewal of these notes. These BANs bear interest at various rates from .89% to 2.05% and are due at various dates through 2010.

A summary of changes in short-term debt for the primary government for the year ended December 31, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond anticipation notes	<u>\$ 25,865,000</u>	<u>\$ 30,965,925</u>	<u>\$ 32,820,336</u>	<u>\$ 24,010,589</u>

## 9. LONG-TERM DEBT OBLIGATIONS

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Non-Current Liabilities</u>
Governmental activities:						
General obligation bonds	\$ 88,298,060	\$ 40,000,000	\$ (10,048,740)	\$ 118,249,320	\$ 11,551,559	\$ 106,697,761
Plus premiums on issuance	144,085	-	(17,009)	127,076	17,009	110,067
Total general obligation bonds	88,442,145	40,000,000	(10,065,749)	118,376,396	11,568,568	106,807,828
Special assessment bonds						
with governmental commitment	397,400	-	(82,500)	314,900	56,600	258,300
Due to Employees' Retirement System	30,016	-	(24,530)	5,486	5,486	-
Compensated absences	9,662,723	-	(370,535)	9,292,188	480,827	8,811,361
Judgments and claims payable	563,852	953,298	(203,524)	1,313,626	143,626	1,170,000
Other post-employment benefits	9,041,618	9,020,848	-	18,062,466	-	18,062,466
Estimated liability for landfill closure and post-closure care costs	3,753,169	347,029	(195,248)	3,904,950	195,248	3,709,702
Total governmental activities	<u>\$ 111,890,923</u>	<u>\$ 50,321,175</u>	<u>\$ (10,942,086)</u>	<u>\$ 151,270,012</u>	<u>\$ 12,450,355</u>	<u>\$ 138,819,657</u>
Business-type activities:						
General obligation bonds	\$ 7,239,540	\$ -	\$ (518,760)	\$ 6,720,780	\$ 531,841	\$ 6,188,939
Compensated absences	556,068	-	(256,615)	299,453	-	299,453
Total business-type activities	<u>\$ 7,795,608</u>	<u>\$ -</u>	<u>\$ (775,375)</u>	<u>\$ 7,020,233</u>	<u>\$ 531,841</u>	<u>\$ 6,488,392</u>
Discretely presented component unit:						
Mortgage payable	<u>\$ 3,034,181</u>	<u>\$ -</u>	<u>\$ (33,436)</u>	<u>\$ 3,000,745</u>	<u>\$ 35,456</u>	<u>\$ 2,965,289</u>

General obligation bonds: The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these 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 Town, bear interest at various rates from 1.825% to 7.350% and have maturity dates in 2010 through 2030.

The following is a summary of maturing debt service requirements:

Primary governmental activities

Year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 11,551,559	\$ 4,617,471	\$ 16,169,030
2011	9,339,459	3,893,253	13,232,712
2012	9,480,259	3,579,220	13,059,479
2013	8,280,359	3,256,362	11,536,721
2014	8,432,484	2,973,821	11,406,305
2015-2019	39,688,000	10,474,247	50,162,247
2020-2024	18,477,200	4,463,031	22,940,231
2025-2029	10,800,000	1,778,656	12,578,656
2030	2,200,000	72,875	2,272,875
	<u>\$ 118,249,320</u>	<u>\$ 35,108,936</u>	<u>\$ 153,358,256</u>

Primary business-type activities:

Year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 531,841	\$ 263,198	\$ 795,039
2011	536,441	244,177	780,618
2012	550,641	224,544	775,185
2013	565,141	203,911	769,052
2014	560,516	182,430	742,946
2015-2019	2,837,100	569,114	3,406,214
2020-2022	1,139,100	85,156	1,224,256
	<u>\$ 6,720,780</u>	<u>\$ 1,772,530</u>	<u>\$ 8,493,310</u>

Special assessment bonds – The Town also has \$314,900 of special assessment debt outstanding to provide funds for road improvements. These bonds will be repaid from amounts levied against the property owners benefited by these improvements. In the event that a deficiency exists because of unpaid delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources are received. The bonds have interest rates ranging from 3.00% to 4.75% and are payable over the next 10 years.

The following is a summary of maturing debt service requirements:

Year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 56,600	\$ 12,834	\$ 69,434
2011	44,100	10,433	54,533
2012	44,100	8,613	52,713
2013	44,500	6,775	51,275
2014	32,000	5,174	37,174
2015-2019	84,900	9,719	94,619
2020	8,700	348	9,048
	<u>\$ 314,900</u>	<u>\$ 53,896</u>	<u>\$ 368,796</u>

Other long-term debt – Liabilities for claims and judgments, other post-employment benefits and landfill closure and post-closure care costs are liquidated through future budgetary appropriations in the General Fund. The liabilities for compensated absences and due to Employees’ Retirement System are liquidated through future budgetary appropriation in the funds that gave rise to the liability, with the majority being liquidated through the General Fund and Police Districts Fund.

Mortgages payable – The Housing Authority received a mortgage through Bridgehampton National Bank for \$1,800,000 (30 years) which is secured by the apartment complex, payable in monthly installments of \$10,792 and guaranteed by the Town of Southampton. Interest is calculated at 6.00% and the mortgage matures on August 23, 2035. The outstanding balance as of December 31, 2009 is \$1,693,887.

The Housing Authority assumed and adjusted the existing mortgage through the USDA in the amount of \$1,332,038 which is secured by the apartment complex and payable in monthly installments off \$6,407. Interest is calculated at 5.38% with a subsidy credit of \$3,581 and the mortgage balloons in 2035 with approximately \$941,039 remaining. The outstanding balance as of December 31, 2009 is \$1,306,858.

The following is a summary of maturing debt service requirements:

Year ended December 31,	Principal	Interest	Total
2010	\$ 35,456	\$ 127,955	\$ 163,411
2011	37,598	125,813	163,411
2012	39,869	123,542	163,411
2013	42,278	121,133	163,411
2014	44,834	118,577	163,411
2015-2019	268,247	548,808	817,055
2020-2024	359,773	457,282	817,055
2025-2029	482,597	334,458	817,055
2030-2034	647,442	169,613	817,055
2035	1,042,651	7,329	1,049,980
	<u>\$ 3,000,745</u>	<u>\$ 2,134,510</u>	<u>\$ 5,135,255</u>

## 10. PENSION PLANS

The Town of Southampton participates in the New York State and Local Employees’ Retirement System (“NYSERS”) and the New York State Local Police and Fire Retirement System (“NYSPFRS”) (collectively the “Systems”). These are cost-sharing, multiple-employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law (“NYSRSSL”) governs obligations of employers and employees to contribute, and benefits to employees. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for custody and control of their funds.

The Systems are noncontributory except for employees who joined the NYSERS after July 27, 1976 and who have less than ten years of membership and less than ten years of credited service with a retirement system under the provisions of article fourteen or fifteen of the NYSRSSL, who contribute 3% of their salary. Prior to October 1, 2000, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town is required to contribute at a rate determined actuarially by the Systems. The Town contributions made to the Systems were equal to 100% of the contributions required for each year and also include additional contributions to fund various early retirement incentives made available to the Town employees. The credits and miscellaneous adjustments represent modifications made by the NYSERS and NYSPFRS for prior year's contributions. Required contributions for the current and two preceding years were:

Year Ended	NYSERS			NYSPFRS		Total Payment
	Annual Required Contributions	Incentive/Rate Amortization	Reconciliation and Miscellaneous Adjustments	Annual Required Contribution	Reconciliation and Miscellaneous Adjustments	
2009	\$ 1,859,470	\$ -	\$ (4,910)	\$ 1,758,638	\$ 7,344	3,620,542
2008	2,000,852	-	48,351	1,735,897	(81,779)	3,703,321
2007	2,027,861	26,364	(12,394)	1,789,581	(56,266)	3,775,146

The State Legislature allows local governments to amortize certain contribution costs. The cost of the amortization is billed and paid over a five year period and includes an interest rate of 8.00%. The total principal payments payable by the Town are as follows:

Year ended  
December 31,  
2010                      \$ 5,486

**11. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP OR PROGRAM”)**

Program Description

The Town of Southampton sponsors four Volunteer Ambulance Workers Service Award Programs (the “Plans”): Westhampton War Memorial Ambulance Corp, Flanders Northampton Ambulance Corp, Hampton Bays Ambulance Corp and Southampton Volunteer Ambulance Corp. All plans are single-employer defined benefit plans covering the Town’s volunteer ambulance workers.

Funding Policy

The Plans are established under New York State Law Section 565-B, A7635-B, Article 11AAA. The Plans are non-contributory. The Town is required to contribute the total amount sufficient to cover the normal cost of the plans.

Participation, vesting and service credit

Any volunteer ambulance worker who completed five years of service and attains age 65 is eligible for normal retirement benefits. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of ambulatory service or upon attaining the program’s entitlement age. In general, an active volunteer ambulance worker is credited with a year of ambulatory service for each calendar year after the establishment of the program in which he or she accumulated fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a 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.

Benefits

A participant’s benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person’s total number of years of ambulatory service. The number of years of ambulatory service used to compute the benefit cannot exceed forty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

## Fiduciary investment and control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each ambulance company having members who participate in the program. Each ambulance company must maintain all required records on forms prescribed by the governing board.

The Plans are administered by Penflex, Inc. with all provisions and amendments subject to approval of the Town Board. An annual actuarial valuation report for the plans can be obtained from the Town of Southampton Comptroller's Office. None of the pension plans issue separate audited reports on the pension plans. The designated programs administrator's functions include Installation Assistance including: Specimen Adoption Agreement; Specimen Master Plan; Insurance Applications; Participant Enrollment Forms; Explanation of Benefits; Benefit Certificates and Administrative Assistance: Reminder Letter to Sponsor with Census for current anniversary date provided annually; Participant's Benefit Calculation at the time of termination or retirement for verification by the Plan Sponsor; Member Census and Premium Analysis Report provided annually; Valuation and Recommended Deposit provided annually; Summary of Required Contribution; Actuarial review; and Recommended Program Enhancement as appropriate. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

### A. Payment of benefits

#### 1. Entitlement benefits

Penflex, Inc. prepares and submits to the Sponsor a Verification of Benefits Statement and an Annuity Enrollment Form for participants active at entitlement age and for vested participants upon termination from the Program. Following review for accuracy, the Sponsor signs and returns the paperwork to Penflex, Inc. to disburse entitlement benefits.

#### 2. Death benefits

Upon notification from the Sponsor of a participant death, Penflex, Inc. prepares a Verification of Benefits Statement and a Lump Sum Death Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork accompanied by a death certificate to Penflex, Inc. authorizing Penflex, Inc. to disburse a death benefit.

#### 3. Disability benefits

Upon notification from the Sponsor of a participant total and permanent disability, Penflex, Inc. prepares a Verification of Benefits Statement, a Physician Statement Form and a Lump Sum Disability Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork authorizing Penflex, Inc. to disburse a disability benefit.

### B. Payment of administrative expenses

Per the executed Service Fee Agreement, the Sponsor agrees to payment as contracted.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML Article 11A 217(j).

Authority to invest program assets is vested in the Glen Falls Bank and Trust Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated July 26, 2010.

### Plan contributions

Pension contributions are determined based on an annual actuarial calculation. The required contribution for the Plans consists of two components. The first component is the annual prior service cost which equals the level annual payment required to fund over the prior service funding period and the portion of the current participants' projected benefits at entitlement age which is based on the service credit ambulance workers earned before the effective date of the Service Award Program. The second component is the "normal cost," which is equal to the level annual payment required to fund the portion of the current participants' projected benefits based on their service credit earned after the effective date of the Service Award program. Based upon accepted actuarial methods and the assumptions used, it has been determined that the contributions for the Westhampton War Memorial Ambulance Corporation of \$57,192, the Flanders Northampton Volunteer Ambulance Corporation of \$71,750, the Hampton Bays Volunteer Ambulance Corporation of \$58,325 and the Southampton Volunteer Ambulance Corporation of \$42,723 for the year ended December 31, 2009 were sufficient to satisfy current and future service award obligations upon eligibility for retirement.

### Program financial condition

#### Westhampton War Memorial Ambulance Corporation –

Actuarial present value of vested benefits	<u>\$ 412,171</u>
Net assets available for benefit	<u>\$ 251,076</u>

#### Flanders Northampton Volunteer Ambulance Corporation –

Actuarial present value of vested benefits	<u>\$ 422,693</u>
Net assets available for benefit	<u>\$ 274,960</u>

#### Hampton Bays Volunteer Ambulance Corporation –

Actuarial present value of vested benefits	<u>\$ 341,666</u>
Net assets available for benefit	<u>\$ 277,402</u>

#### Southampton Volunteer Ambulance Corporation –

Actuarial present value of vested benefits	<u>\$ 295,322</u>
Net assets available for benefit	<u>\$ 235,835</u>

### Receipts and disbursements

#### Westhampton War Memorial Ambulance Corporation -

Program net assets, beginning of year	\$ 165,021
Changes during the year:	
Plan contributions	\$ 51,822
Investment income earned	37,710
Trustee fees	(913)
Administrative fees	<u>(2,564)</u>
	<u>86,055</u>
Program net assets, end of year	<u>\$ 251,076</u>
Contributions -	
Amount of sponsor's contribution recommended by actuary	<u>\$ 57,192</u>
Amount of sponsor's actual contribution	<u>\$ 51,822</u>

Flanders Northampton Volunteer Ambulance Corporation -

Program net assets, beginning of year		\$	197,098
Changes during the year:			
Plan contributions	\$	76,287	
Investment income earned		38,633	
Benefits paid		(33,270)	
Trustee fees		(1,015)	
Administrative fees		(2,773)	<u>77,862</u>
Program net assets, end of year		\$	<u>274,960</u>
Contributions -			
Amount of sponsor's contribution recommended by actuary		\$	<u>71,750</u>
Amount of sponsor's actual contribution		\$	<u>76,287</u>

Hampton Bays Volunteer Ambulance Corporation -

Program net assets, beginning of year		\$	185,894
Changes during the year:			
Plan contributions	\$	54,081	
Investment income earned		41,914	
Benefits paid		(571)	
Trustee fees		(1,023)	
Administrative fees		(2,893)	<u>91,508</u>
Program net assets, end of year		\$	<u>277,402</u>
Contributions -			
Amount of sponsor's contribution recommended by actuary		\$	<u>58,325</u>
Amount of sponsor's actual contribution		\$	<u>54,081</u>

Southampton Volunteer Ambulance Corporation -

Program net assets, beginning of year		\$	156,489
Changes during the year:			
Plan contributions	\$	47,707	
Investment income earned		35,515	
Benefits paid		(240)	
Trustee fees		(863)	
Administrative fees		(2,773)	<u>79,346</u>
Program net assets, end of year		\$	<u>235,835</u>
Contributions -			
Amount of sponsor's contribution recommended by actuary		\$	<u>42,723</u>
Amount of sponsor's actual contribution		\$	<u>47,707</u>

## Funding methodology and actuarial assumptions

### Westhampton War Memorial Ambulance Corporation –

Valuation Date	December 31, 2009
Actuarial Cost Method	Attained Age Normal Frozen Initial Liability
Amortization Method	Level Dollar, open
Pre-entitlement age mortality table	None assumed
Post-entitlement age mortality table	1994 US Uninsured Pensioner 50/50 M/F Mortality Table
Remaining Amortization Period	-0- Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%

### Flanders Northampton Volunteer Ambulance Corporation –

Valuation Date	December 31, 2009
Actuarial Cost Method	Attained Age Normal Frozen Initial Liability
Amortization Method	Level Dollar, open
Pre-entitlement age mortality table	None assumed
Post-entitlement age mortality table	1994 US Uninsured Pensioner 50/50 M/F Mortality Table
Remaining Amortization Period	-0- Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%

### Hampton Bays Volunteer Ambulance Corporation –

Valuation Date	December 31, 2009
Actuarial Cost Method	Attained Age Normal Frozen Initial Liability
Amortization Method	Level Dollar, open
Pre-entitlement age mortality table	None assumed
Post-entitlement age mortality table	1994 US Uninsured Pensioner 50/50 M/F Mortality Table
Remaining Amortization Period	-0- Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%

### Southampton Volunteer Ambulance Corporation –

Valuation Date	December 31, 2009
Actuarial Cost Method	Attained Age Normal Frozen Initial Liability
Amortization Method	Level Dollar, open
Pre-entitlement age mortality table	None assumed
Post-entitlement age mortality table	1994 US Uninsured Pensioner 50/50 M/F Mortality Table
Remaining Amortization Period	-0- Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.5%

## **12. POST-EMPLOYMENT BENEFITS**

### Plan description and annual OPEB cost

The Town provides post-employment (health insurance, life insurance etc.) coverage to retired employees and their survivors in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Town's contractual agreements.

The Town implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the year ended December 31, 2008. This required the Town to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 214 retired employees receive health benefits from the Town. Retirees contribute 0% to 20% for coverage depending on position held, date of hire, years of service, and fiscal year of retirement.

The Town recognizes the cost of providing health insurance annually as expenditures in the applicable funds of the fund financial statements as payments are made. For the year ended December 31, 2009, the Town recognized \$2,293,520 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarial valuation report as of January 1, 2008 which indicates that the total liability for other post-employment benefits is \$142,990,100 (\$62,207,100 related to retirees and \$80,783,000 related to employees).

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

	For the Year Ended December 31, 2009
Annual required contribution	\$ 10,879,200
Interest on net OPEB obligation	<u>435,168</u>
Annual OPEB cost	11,314,368
Contributions made	<u>2,293,520</u>
Increase in net OPEB obligation	9,020,848
Net OPEB obligation, beginning of year	<u>9,041,618</u>
Net OPEB obligation, end of year	<u>\$ 18,062,466</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/09	\$11,314,368	20.3%	\$18,062,466

### Funded status and funding progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$142,990,100 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$142,990,100. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial methods and assumptions

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

In the January 1, 2008 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 6 years. Both rates included a 5.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 28 years.

## **13. COMPENSATED ABSENCES**

Town 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 governmental fund type employees have been recorded in the Statements of Net Assets. 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 December 31, 2009 the value of the accumulated vacation time and sick leave for governmental activities was \$9,591,641.

## **14. COMMITMENTS AND CONTINGENCIES**

### **A. Risk management**

The Town has adopted GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. The Statement establishes standards for risk financing and insurance-related activities. Liabilities for unpaid claims are accrued when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

In common with other municipalities, the Town receives numerous notices of claims. The Town carries base general liability insurance coverage of \$1,000,000 per occurrence with a \$2,000,000 annual aggregate. The Town carries an umbrella policy which provides additional insurance coverage of \$10,000,000 per occurrence with a \$20,000,000 annual aggregate. Although the eventual outcome of these claims cannot presently be determined, the Town is of the opinion that the ultimate settlement of the outstanding claims will not result in a material adverse effect on the Town's financial position.

The Town is completely covered for workers' compensation insurance and disability insurance.

There have been no significant reductions in insurance coverage as compared to the prior year, and there were no settlements in excess of insurance coverage over the last three years.

The Town estimates general liability reserves by consulting with legal counsel and past experience with similar claims. The Town has not purchased any annuity contracts with regard to its general liability claims. The schedule below presents the changes in claims liabilities for the past two years and includes an estimate of claims that have been incurred but not yet reported.

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ <u>563,852</u>	\$ <u>713,938</u>
Incurred claims and claim adjustment expenditures:		
Provision for insured events of the current year and increases in provision for insured events of prior years	<u>953,298</u>	<u>-</u>
Total incurred claims and adjustment expenditures	<u>1,517,150</u>	<u>-</u>
Payments:		
Claims and claim adjustment expenditures attributable to insured events of the current and prior years	<u>203,524</u>	<u>150,086</u>
Total payments	<u>203,524</u>	<u>150,086</u>
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,313,626</u>	<u>\$ 563,852</u>

B. Litigation

The Town in the normal course of business is involved in various matters of litigation. In the opinion of the Town Attorney, there is no litigation by or pending against the Town that is not covered by insurance or budgetary appropriations or which could have a material adverse impact on the financial condition of the Town.

The Shinnecock Tribe has brought an action against the Town of Southampton. Although the Town has been advised that they have a meritorious defense and expect to prevail, at this point the outcome is uncertain. The action has been dismissed in its entirety; however the courts determination is the subject of a motion for reconsideration and likely will be the subject of an appeal by the Shinnecock Tribe.

C. Landfill closure and post-closure care costs

State and federal laws and regulations require the Town to place a final cover on landfill sites and to perform certain maintenance and monitoring activities at landfill sites for at least thirty years after closure. The North Sea Landfill site stopped receiving waste in 1995. Accordingly, as of December 31, 2009, the Town has recorded a liability of \$3,904,950 in the government-wide financial statements which represents the provision to be made in future budgets for unfunded closure and post-closure landfill costs. Actual costs may be higher or lower due to inflation, changes in technology or changes in regulations. These amounts are based on what it would cost to perform all closure and post-closure care as of December 31, 2009.

D. Government grants

The Town 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 a return of funds. Based on prior years' experience, the Town's administration believes disallowances, if any, would be immaterial.

E. Lease commitments and leased assets

Operating leases

The Town is committed under a noncancelable operating lease for the Hampton Bays Town Center. Total rental expenditures on the lease for the year ended December 31, 2009 totaled approximately \$300,000.

Future minimum operating lease commitments are as follows:

Year ended December 31,	
2010	\$ 310,500
2011	310,500
2012	310,500
2013	336,375
2014	349,313
2015-2019	1,819,336
2020-2023	<u>1,309,922</u>
	<u>\$ 4,746,646</u>

**15. TWO PERCENT (2%) TRANSFER TAX**

In November 1998, the voters of the Town of Southampton approved a referendum for a 2% Transfer Tax, which became effective on April 1, 1999. The transfer tax receipts are recorded in the Community Preservation Fund, and are used for the purchase and/or preservation of agricultural land, open space, parks or historic preservation sites. The tax applies to sales of vacant land worth \$100,000 or more or sales of improved land worth \$250,000 or more. Conveyance of real property for open space, parks or historic preservation purposes are exempt from this tax.

For the year ended December 31, 2009, and for the four previous years, the Town has the following 2% transfer tax revenue and expenses associated with environmental or historic preservation purposes:

Year ended December 31,	<u>Revenues</u>	<u>Expenditures</u>
2009	\$ 24,805,488	\$ 31,066,640
2008	33,948,760	80,636,665
2007	53,987,196	68,385,613
2006	51,297,562	38,125,582
2005	51,607,369	36,018,887

**16. CONDENSED FINANCIAL STATEMENTS FOR THE DISCRETELY PRESENTED COMPONENT UNIT**

The following represents condensed financial statements for the Town of Southampton Housing Authority, a discretely presented component unit, as of and for the year ended December 31, 2009:

*Condensed Statement of Net Assets:*

	<u>Assets and Other Debits</u>			<u>Liabilities</u>		
	Current <u>Assets</u>	Capital Assets Net of <u>Depreciation</u>	Non-current <u>Assets</u>	Current <u>Liabilities</u>	Bonds and Other Long-Term <u>Liabilities</u>	Net <u>Assets</u>
Town of Southampton Housing Authority	\$ 363,517	\$3,092,309	\$ 24,506	\$ 90,490	\$2,965,289	\$ 424,553

Condensed Statement of Activities:

	Program			Other	Change	Net Assets
	Expenses	Revenue	Net Revenues			
Town of Southampton Housing Authority	\$ 705,740	\$ 498,515	\$ (207,225)	\$ 219,455	\$ 12,230	\$ 424,553

**17. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED**

GASB has issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town is currently studying the statement and plans on adoption if and when required, which will be for the December 31, 2011 financial statements.

**18. PRIOR PERIOD ADJUSTMENTS**

Governmental funds fund equity and Town-wide net assets have been restated as of January 1, 2009, to give effect to the following:

	Governmental Funds Fund Equity	Town-wide Net Assets
Balance as of January 1, 2009, as reported	\$ 6,146,736	\$ 625,722,888
Add: previously unrecorded revenue related to capital projects	1,398,992	1,398,992
Less: previously reported capital assets, net	-	(995,765)
Less: previously recorded expenses to long-term liabilities	-	(931,729)
Balance as of January 1, 2009, as restated	<u>\$ 7,545,728</u>	<u>\$ 625,194,386</u>

The effect of the restatement on the change in net assets for fiscal 2008 is not reasonably determinable.

**19. SUBSEQUENT EVENTS**

The Town has evaluated subsequent events occurring after the Statement of Net Assets through the date of July 26, 2010 which is the date the financial statements were available to be issued. Based on this evaluation, the Town has determined the following subsequent events have occurred, which require disclosure in the financial statements:

In July 2010, the Town issued \$7,072,200 of bond anticipation notes at an interest rate of .85% maturing on July 15, 2011. The proceeds will be used to retire \$2,912,200 outstanding from a prior bond anticipation note originally issued for \$4,090,925. The remaining proceeds will provide original funding for various capital projects in the amount of \$4,160,000.

In July 2010, the Town settled union contracts with the Police Benevolent Association and the Civil Service Employee Association.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Revised Budget</u>			
<b>REVENUES</b>					
Real property taxes	\$ 22,576,022	\$ 22,276,024	\$ 22,594,894		\$ 318,870
Non-property tax items	863,500	863,500	1,013,649		150,149
Special assessments	-	-	81,834		81,834
Departmental income	651,500	668,930	602,651		(66,279)
Intergovernmental charges	10,000	10,000	-		(10,000)
Use of money and property	975,000	975,000	278,014		(696,986)
Licenses and permits	25,000	35,000	38,250		3,250
Fines and forfeitures	1,300,000	1,500,000	1,617,193		117,193
Miscellaneous local sources	728,000	325,115	921,099		595,984
State aid	8,213,000	5,747,451	5,430,095		(317,356)
Federal aid	50,000	50,000	560,434		510,434
Total revenues	<u>35,392,022</u>	<u>32,451,020</u>	<u>33,138,113</u>		<u>687,093</u>
<b>EXPENDITURES</b>					
General governmental support	20,600,600	14,713,308	13,829,002	\$ 12,649	871,657
Public safety	2,624,697	2,546,021	2,412,336	-	133,685
Health	4,250	4,234	1,125	-	3,109
Transportation	511,442	123,255	109,021	-	14,234
Economic assistance and opportunity	2,320,145	2,404,546	2,333,279	-	71,267
Culture and recreation	4,411,867	3,939,417	3,670,156	-	269,261
Home and community services	1,300,846	1,338,390	1,202,675	-	135,715
Employee benefits	6,652,101	6,126,878	5,918,212	-	208,666
Debt service -					
Principal	-	3,815,947	3,712,387	-	103,560
Interest	-	1,293,836	1,224,796	-	69,040
Total expenditures	<u>38,425,948</u>	<u>36,305,832</u>	<u>34,412,989</u>	<u>12,649</u>	<u>1,880,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,033,926)</u>	<u>(3,854,812)</u>	<u>(1,274,876)</u>	<u>(12,649)</u>	<u>2,567,287</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	305,000	2,216,650	5,511,399	-	3,294,749
Transfers out	(6,018,254)	(158,471)	(51,710)	-	106,761
Total other financing sources (uses)	<u>(5,713,254)</u>	<u>2,058,179</u>	<u>5,459,689</u>	<u>-</u>	<u>3,401,510</u>
Changes in fund equity	<u>(8,747,180)</u>	<u>(1,796,633)</u>	<u>4,184,813</u>	<u>\$ (12,649)</u>	<u>\$ 5,968,797</u>
Fund equity, beginning of year, as restated	<u>7,449,839</u>	<u>7,449,839</u>	<u>7,449,839</u>		
Fund equity, end of year	<u>\$ (1,297,341)</u>	<u>\$ 5,653,206</u>	<u>\$ 11,634,652</u>		

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND DEFICIT**  
**BUDGET AND ACTUAL - POLICE DISTRICT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget Amounts		Actual	Year-end Encumbrances	Variance Favorable (Unfavorable)
	Original Budget	Revised Budget			
<b>REVENUES</b>					
Real property taxes	\$ 19,792,258	\$ 19,792,258	\$ 19,805,381		\$ 13,123
Departmental income	210,000	239,835	206,739		(33,096)
Use of money and property	25,000	25,000	31,372		6,372
Sale of property and compensation for a loss	-	-	15,399		15,399
Miscellaneous local sources	80,000	80,000	144,038		64,038
State aid	1,803,018	1,806,108	1,871,245		65,137
Federal aid	-	-	31,889		31,889
Total revenues	<u>21,910,276</u>	<u>21,943,201</u>	<u>22,106,063</u>		<u>162,862</u>
<b>EXPENDITURES</b>					
Public safety	14,531,545	14,716,384	13,564,566	\$ 26,137	1,125,681
Employee benefits	6,668,049	6,450,443	6,449,176	-	1,267
Debt service -					
Principal	350,000	63,700	63,700	-	-
Interest	-	359,335	9,331	-	350,004
Total expenditures	<u>21,549,594</u>	<u>21,589,862</u>	<u>20,086,773</u>	<u>26,137</u>	<u>1,476,952</u>
Excess of revenues over expenditures	<u>360,682</u>	<u>353,339</u>	<u>2,019,290</u>	<u>(26,137)</u>	<u>1,639,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	600,000	60,000	2,710	-	(57,290)
Transfers out	(960,682)	(737,651)	-	-	737,651
Total other financing sources (uses)	<u>(360,682)</u>	<u>(677,651)</u>	<u>2,710</u>	<u>-</u>	<u>680,361</u>
Changes in fund deficit	-	(324,312)	2,022,000	<u>\$ (26,137)</u>	<u>\$ 2,320,175</u>
Fund deficit, beginning of year, as restated	<u>(2,911,720)</u>	<u>(2,911,720)</u>	<u>(2,911,720)</u>		
Fund deficit, end of year	<u>\$ (2,911,720)</u>	<u>\$ (3,236,032)</u>	<u>\$ (889,720)</u>		

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT)**  
**BUDGET AND ACTUAL - TOWN OUTSIDE VILLAGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Year-end</u> <u>Encumbrances</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u> <u>Budget</u>	<u>Revised</u> <u>Budget</u>			
<b>REVENUES</b>					
Real property taxes	\$ 450,561	\$ 450,562	\$ 406,231		\$ (44,331)
Other real property tax items	-	-	1,383		1,383
Use of money and property	-	-	8,192		8,192
Miscellaneous local sources	-	-	24,250		24,250
Total revenues	<u>450,561</u>	<u>450,562</u>	<u>440,056</u>		<u>(10,506)</u>
<b>EXPENDITURES</b>					
Public safety	-	9,360	9,355	\$ 28,250	(28,245)
Home and community services	698,839	720,920	719,528	-	1,392
Employee benefits	287,781	430,339	368,689	-	61,650
Total expenditures	<u>986,620</u>	<u>1,160,619</u>	<u>1,097,572</u>	<u>28,250</u>	<u>34,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(536,059)</u>	<u>(710,057)</u>	<u>(657,516)</u>	<u>(28,250)</u>	<u>24,291</u>
<b>OTHER FINANCING USES</b>					
Transfers out	-	-	(83,116)	-	(83,116)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(83,116)</u>	<u>-</u>	<u>(83,116)</u>
Changes in fund equity (deficit)	<u>(536,059)</u>	<u>(710,057)</u>	<u>(740,632)</u>	<u>\$ (28,250)</u>	<u>\$ (58,825)</u>
Fund equity, beginning of year, as restated	<u>437,334</u>	<u>437,334</u>	<u>437,334</u>		
Fund deficit, end of year	<u>\$ (98,725)</u>	<u>\$ (272,723)</u>	<u>\$ (303,298)</u>		

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT)**  
**BUDGET AND ACTUAL - HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget Amounts		Actual	Year-end Encumbrances	Variance Favorable (Unfavorable)
	Original Budget	Revised Budget			
<b>REVENUES</b>					
Real property taxes	\$ 8,805,492	\$ 8,805,492	\$ 8,811,706		\$ 6,214
Other real property tax items	-	-	31,068		31,068
Intergovernmental charges	654,443	654,443	622,237		(32,206)
Use of money and property	32,800	32,800	13,425		(19,375)
Miscellaneous local sources	15,000	15,000	118,982		103,982
State aid	560,000	806,788	956,789		150,001
Total revenues	<u>10,067,735</u>	<u>10,314,523</u>	<u>10,554,207</u>		<u>239,684</u>
<b>EXPENDITURES</b>					
Transportation	5,770,874	6,704,094	6,337,711	\$ 19,815	346,568
Employee benefits	2,745,234	2,354,702	1,899,644	-	455,058
Debt service -					
Principal	-	1,738,605	1,671,700	-	66,905
Interest	-	690,521	690,522	-	(1)
Total expenditures	<u>8,516,108</u>	<u>11,487,922</u>	<u>10,599,577</u>	<u>19,815</u>	<u>868,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,551,627</u>	<u>(1,173,399)</u>	<u>(45,370)</u>	<u>(19,815)</u>	<u>1,108,214</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	877,500	877,500	1,307,952	-	430,452
Transfers out	(2,249,126)	-	-	-	-
Total other financing sources (uses)	<u>(1,371,626)</u>	<u>877,500</u>	<u>1,307,952</u>	<u>-</u>	<u>430,452</u>
Changes in fund equity	180,001	(295,899)	1,262,582	\$ (19,815)	\$ 1,538,666
Fund deficit, beginning of year, as restated	(156,536)	(156,536)	(156,536)		
Fund equity, end of year	<u>\$ 23,465</u>	<u>\$ (452,435)</u>	<u>\$ 1,106,046</u>		

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

TOWN OF SOUTHAMPTON  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
JUSTICE COURT  
FOR THE YEAR ENDED DECEMBER 31, 2009

		Town Justices							
	Justice DeMayo	Justice Kooperstein	Justice Wilson	Justice Burke	Justice Sciavoni	Bail Accounts	Special Accounts	Parking Accounts	Totals
Cash balance, beginning of year	\$ 37,065	\$ 34,039	\$ 61,780	\$ 51,013	\$ -	\$ 408,889	\$ 4,900	\$ 47,155	\$ 644,641
Collections:									
Traffic, criminal fines, civil and surcharge	3	618,026	626,856	692,219	568,636	-	-	-	2,505,740
Parking fines	230	107,157	183,495	164,173	177,985	-	-	31,369	664,409
Bail	-	-	-	-	-	540,259	-	-	540,259
Miscellaneous	9,105	6,497	54	59	-	3,200	4,506	11	23,432
Total collections	9,338	731,680	810,405	856,451	746,621	543,459	4,506	31,380	3,733,840
Disbursements:									
Town of Southampton	46,173	721,837	809,406	867,117	695,236	-	-	19,625	3,159,394
Return of bail and other	-	-	-	-	-	614,669	-	-	614,669
Miscellaneous	-	-	6,705	7,895	-	-	1,232	31,182	47,014
Total disbursements	46,173	721,837	816,111	875,012	695,236	614,669	1,232	50,807	3,821,077
Cash balance, end of year	\$ 230	\$ 43,882	\$ 56,074	\$ 32,452	\$ 51,385	\$ 337,479	\$ 8,174	\$ 27,728	\$ 557,404

The accompanying notes to financial statements should  
be read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS - SERVICE AWARD PROGRAM**  
**DECEMBER 31, 2009**

**Westhampton War Memorial Ambulance Corp:**

Year Ended Dec. 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 57,192	\$ 51,822	90.61%

**Flanders Northampton Volunteer Ambulance Corp:**

Year Ended Dec. 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 71,750	\$ 76,287	106.32%

**Hampton Bays Volunteer Ambulance Corp:**

Year Ended Dec. 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 58,325	\$ 54,081	92.72%

**Southampton Volunteer Ambulance Corp:**

Year Ended Dec. 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 42,723	\$ 47,707	111.67%

The accompanying notes to financial statements should  
be read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF FUNDING PROGRESS - SERVICE AWARD PROGRAM**  
**DECEMBER 31, 2009**

**Westhampton War Memorial Ambulance Corp:**

Actuarial Valuation Date Dec. 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
2009	\$ 251,076	\$ 412,171	\$ 161,095	60.92%	N/A*	N/A*

**Flanders Northampton Volunteer Ambulance Corp:**

Actuarial Valuation Date Dec. 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
2009	\$ 274,960	\$ 422,693	\$ 147,733	65.05%	N/A*	N/A*

**Hampton Bays Volunteer Ambulance Corp:**

Actuarial Valuation Date Dec. 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
2009	\$ 277,402	\$ 341,666	\$ 64,264	81.19%	N/A*	N/A*

**Southampton Volunteer Ambulance Corp:**

Actuarial Valuation Date Dec. 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
2009	\$ 235,835	\$ 295,322	\$ 59,487	79.86%	N/A*	N/A*

\* There is no covered payroll due to the fact that this is a volunteer ambulance corp. Benefits are determined based off service credits earned. The amount of the monthly retirement income payable to a volunteer ambulance worker eligible for normal retirement benefits is equal to \$20 multiplied by the total years of service, which is not to exceed 40 years.

\*\* Prior to 2007 all plans were defined contribution plans.

The accompanying notes to financial statements should be read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08	\$ -	\$ 142,990,100	\$ 142,990,100	0%	\$ 37,330,904	383.0%

The accompanying notes to financial statements should be  
read in conjunction with this schedule.

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<b><u>Federal Grantor/Pass-through Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Total Federal Expenditures</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Section 8 Housing Vouchers Program	14.871	\$ 3,665,073*
Passed - through Suffolk County Community Development Block Grant	14.218	14,700
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed - through Suffolk County Administration on Aging: Special Programs for the Aging - Title III Part C - Nutrition	93.045	406,044
Adult Day Care	93.052	9,325
Nutrition Services Incentive Program	93.053	102,200
Aging Congregate Nutrition Services	93.707	43,101
<b><u>U.S. Department of Transportation</u></b>		
Passed - through Office of the New York State Comptroller Highway Planning and Construction	20.205	34,535
"STEP" Unsafe Driving	20.600	12,555
Buckle Up New York	20.604	13,724
<b><u>U.S. Department of Justice</u></b>		
Passed - through Office of the New York State Comptroller Byrne Grant	16.579	9,184
Bulletproof Vest Partnership	16.607	6,606
Homeland Security Grant Program	97.067	<u>11,559</u>
<b>TOTAL FEDERAL EXPENDITURES</b>		<b><u>\$ 4,328,606</u></b>

\* Major program

**TOWN OF SOUTHAMPTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Town of Southampton (the "Town"), an entity as defined in Note 1 to the Town's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through government agencies, are included on the Schedule of Expenditures of Federal Awards.

**2. Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

**3. Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

**4. Matching Costs**

Matching costs (i.e. the Town's share of certain program costs) are not included in the reported expenditures.

**5. Major Program Determination**

The Town has determined that all Federal programs with expenditures of \$300,000 or more are Type A Programs for purposes of determining Major Programs.



Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

**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 GOVERNMENT AUDITING STANDARDS**

To the Honorable Supervisor and Town Board of  
The Town of Southampton:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Southampton (the "Town"), as of and for the year ended December 31, 2009, which collectively comprise the Town of Southampton's basic financial statements and have issued our report thereon dated July 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Town of Southampton Housing Authority, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Southampton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Southampton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

# Nawrocki Smith LLP

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Southampton's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Southampton, in a separate letter dated July 26, 2010.

This report is intended solely for the information and use of management, the Supervisor, Town Board, others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York  
July 26, 2010

*Nawrocki Smith LLP*



Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO**  
**EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER**  
**COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Supervisor and Town Board of  
the Town of Southampton:

Compliance

We have audited the compliance of the Town of Southampton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The Town of Southampton's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Southampton's management. Our responsibility is to express an opinion on the Town of Southampton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Southampton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Southampton's compliance with those requirements.

In our opinion, the Town of Southampton complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Town of Southampton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Southampton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Southampton's internal control over compliance.

## Nawrocki Smith LLP

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the Town of Southampton in a separate letter dated July 26, 2010.

This report is intended solely for the information and use of the Supervisor, Town Board, management, others within the Town and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York  
July 26, 2010

*Nawrocki Smith LLP*

**TOWN OF SOUTHAMPTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies or material weakness were disclosed during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal awards program for the Town of Southampton expresses an unqualified opinion.
6. No audit findings relative to the major federal award program that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The program tested as a major program included:

CFDA Number

Name of Federal Program

14.871

U.S. Department of Housing and Urban Development -  
Section 8 Housing Vouchers Program

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Auditee was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None reported.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None reported.

**TOWN OF SOUTHAMPTON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**Findings - Financial Statement Audit**

08-01 Recommendation - It was recommended that the Town should implement policies and procedures to monitor spending throughout the year to comply with Town Law requirements.

Status - We noted this recommendation was implemented.

08-02 Recommendation - It was recommended that the Town should implement policies and procedures to monitor capital project spending on a project/borrowing basis.

Status - We noted this recommendation was implemented.

08-03 Recommendation - It was recommended that the Town should implement procedures to ensure sufficient time to comply with OMB Circular A-133 reporting requirements.

Status - We noted this recommendation was implemented.

07-03 Recommendation - It was recommended that the Town should establish policies to ensure that interfund loans are repaid by the close of the year in which the advances were made.

Status - We noted this recommendation is in the process of being implemented.

07-07 Recommendation - It was recommended that purchases should follow protocols established following the guidelines set by NYS Municipal Law and the Town's policies and procedures.

Status - We noted this recommendation was implemented.

**Findings And Questioned Costs - Major Federal Award Programs Audit**

None reported.

TOWN OF SOUTHAMPTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	Special Revenue Funds				Special Districts Funds							Total Non-Major Governmental Funds
	Special Grant Fund	Special Fund	Trustees of the Freeholders and Commonalty	Fire Protection Districts	Lighting Districts	Public Parking Districts	Water Districts	Ambulance Districts	Coastal Erosion	Parks Districts Fund		
<b>ASSETS</b>												
Cash and cash equivalents	\$ 811,365	\$ 5,206,893	\$ 588,381	\$ 12,524	\$ 334,894	\$ 17,977	\$ 834,896	\$ 307,763	\$ 84,092	\$ 116,802	\$ 8,315,367	
Cash - restricted	-	38,923	-	-	-	-	-	-	-	-	38,923	
Accounts receivable, net	131,231	14,155	-	-	-	48,743	543,800	-	-	-	689,186	
Due from fiduciary funds	612	-	-	-	2,514	-	14,952	93,625	-	24,700	167,068	
Prepaid charges	-	-	-	-	-	-	-	-	-	-	18,078	
<b>Total assets</b>	<b>\$ 943,208</b>	<b>\$ 5,259,971</b>	<b>\$ 588,381</b>	<b>\$ 12,524</b>	<b>\$ 337,408</b>	<b>\$ 66,720</b>	<b>\$ 1,393,448</b>	<b>\$ 401,388</b>	<b>\$ 84,092</b>	<b>\$ 141,502</b>	<b>\$ 9,228,642</b>	
<b>LIABILITIES</b>												
Accounts payable	\$ 14,108	\$ 887,357	\$ -	\$ 20,115	\$ 14,899	\$ 423	\$ 102,653	\$ -	\$ -	\$ 979	1,040,584	
Accrued liabilities	16,450	-	5,680	-	56	-	1,339	-	-	-	23,525	
Bond anticipation notes payable	-	-	-	-	-	-	640,000	-	-	-	640,000	
Due to employees retirement system	1,241	-	-	-	6,570	-	35,204	-	-	-	43,015	
Due to fiduciary funds	196,732	66,047	-	57,964	191	-	201,876	-	-	-	522,810	
Deferred revenues	444,221	1,714	-	70,247	47,414	7,752	95,220	229,661	-	76,327	972,556	
<b>Total liabilities</b>	<b>672,752</b>	<b>955,118</b>	<b>5,680</b>	<b>148,326</b>	<b>69,130</b>	<b>8,175</b>	<b>1,076,292</b>	<b>229,661</b>	<b>-</b>	<b>77,306</b>	<b>3,242,440</b>	
<b>FUND EQUITY (DEFICIT)</b>												
Fund balances - reserved:												
Encumbrances	-	-	-	-	-	-	55,907	-	-	-	55,907	
Debt service	-	-	-	-	1,806	48,743	8,577	779	-	24,700	84,605	
Fund balances - unreserved:												
Undesignated	270,456	4,304,853	582,701	(135,802)	266,472	9,802	252,672	170,948	84,092	39,496	5,845,690	
<b>Total fund equity (deficit)</b>	<b>270,456</b>	<b>4,304,853</b>	<b>582,701</b>	<b>(135,802)</b>	<b>268,278</b>	<b>58,545</b>	<b>317,156</b>	<b>171,727</b>	<b>84,092</b>	<b>64,196</b>	<b>5,966,202</b>	
<b>Total liabilities and fund equity (deficit)</b>	<b>\$ 943,208</b>	<b>\$ 5,259,971</b>	<b>\$ 588,381</b>	<b>\$ 12,524</b>	<b>\$ 337,408</b>	<b>\$ 66,720</b>	<b>\$ 1,393,448</b>	<b>\$ 401,388</b>	<b>\$ 84,092</b>	<b>\$ 141,502</b>	<b>\$ 9,228,642</b>	

The accompanying notes to financial statements should be read in conjunction with this statement.

**TOWN OF SOUTHAMPTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY (DEFICIT) - NON-MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**

	Special Revenue Funds			Special Districts Funds							Total Non-Major Governmental Funds	
	Special Grant Fund	Special Fund	Trustees of the Freeholders and Commonalty	Fire Protection Districts	Lighting Districts	Public Parking Districts	Water Districts	Ambulance Districts	Coastal Erosion	Parks Districts Fund		
<b>REVENUES</b>												
Real property taxes	-	\$ 20,000	\$ -	\$ 879,157	\$ 542,825	\$ 77,513	\$ 1,391,031	\$ 2,584,088	\$ -	\$ 449,270	\$ 5,943,884	
Other real property tax items	-	-	-	-	-	47	27,576	-	-	768	28,391	
Departmental income	-	-	364,646	-	-	-	2,194,776	-	-	-	2,559,422	
Use of money and property	4,249	1,411	2,094	147	841	70	-	404	47	709	9,972	
Miscellaneous local sources	-	790,349	12,737	-	-	-	-	38,900	-	-	841,986	
Federal aid	3,679,773	56,510	-	-	-	-	-	-	-	-	3,736,283	
<b>Total revenues</b>	<b>3,684,022</b>	<b>868,270</b>	<b>379,477</b>	<b>879,304</b>	<b>543,666</b>	<b>77,650</b>	<b>3,613,383</b>	<b>2,623,392</b>	<b>47</b>	<b>450,747</b>	<b>13,119,938</b>	
<b>EXPENDITURES</b>												
General governmental support	-	210,739	-	-	-	-	-	-	-	-	210,739	
Public safety	-	-	-	833,070	-	-	-	-	-	-	833,070	
Health	-	-	-	-	-	-	-	2,503,997	-	-	2,503,997	
Transportation	-	-	-	-	377,683	36,055	-	-	-	-	413,738	
Economic assistance and opportunity	-	274,126	-	-	-	-	-	-	-	-	274,126	
Culture and recreation	-	105,768	-	-	-	-	-	-	-	334,926	440,694	
Home and community services	4,057,272	380,106	277,505	-	-	-	2,051,114	-	-	-	6,765,997	
Employee benefits	64,820	-	-	54,734	-	-	306,444	-	-	-	425,998	
Debt service -	-	-	-	-	45,453	36,400	535,300	17,800	-	65,300	700,253	
Principal	-	-	-	-	23,227	7,514	245,613	10,017	-	34,020	320,391	
Interest	-	-	-	-	-	-	-	-	-	-	-	
<b>Total expenditures</b>	<b>4,122,092</b>	<b>970,739</b>	<b>277,505</b>	<b>833,070</b>	<b>501,097</b>	<b>79,969</b>	<b>3,138,471</b>	<b>2,531,814</b>	<b>-</b>	<b>434,246</b>	<b>12,889,003</b>	
Excess (deficiency) of revenues over (under) expenditures	(438,070)	(102,469)	101,972	46,234	42,569	(2,339)	474,912	91,578	47	16,501	230,935	
<b>OTHER FINANCING SOURCES (USES)</b>												
Interfund transfers in	-	300,000	-	-	1,806	48,743	8,577	779	-	24,700	384,605	
Interfund transfers out	-	(31,650)	-	-	-	-	-	-	-	-	(31,650)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>268,350</b>	<b>-</b>	<b>-</b>	<b>1,806</b>	<b>48,743</b>	<b>8,577</b>	<b>779</b>	<b>-</b>	<b>24,700</b>	<b>352,955</b>	
Changes in fund equity	(438,070)	185,881	101,972	46,234	44,375	46,404	483,489	92,357	47	41,201	583,890	
Fund equity (deficit), beginning of year, as restated	708,526	4,138,972	480,729	(182,036)	223,903	12,141	(166,333)	79,370	84,045	22,995	5,402,312	
<b>Fund equity (deficit), end of year</b>	<b>\$ 270,456</b>	<b>\$ 4,304,853</b>	<b>\$ 582,701</b>	<b>\$ (135,802)</b>	<b>\$ 268,278</b>	<b>\$ 58,545</b>	<b>\$ 317,156</b>	<b>\$ 171,727</b>	<b>\$ 84,092</b>	<b>\$ 64,196</b>	<b>\$ 5,985,202</b>	

The accompanying notes to financial statements should be read in conjunction with this statement.