

TOWN OF SOUTHAMPTON
NEW YORK STATE
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
AS OF DECEMBER 31, 2010
TOGETHER WITH AUDITORS' REPORTS

TOWN OF SOUTHAMPTON
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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 units, 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, 2010, 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 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, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Southampton, as of December 31, 2010, 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 June 24, 2011, 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 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 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
June 24, 2011

Nawrocki Smith LLP

TOWN OF SOUTHAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

The following is a discussion and analysis of the Town of Southampton's (the "Town") financial performance for the year ended December 31, 2010. 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 Town experienced a 2010 Total Governmental Operating Funds surplus of \$5.4 million (excluding legal settlement proceeds of \$1.4 million), compared to a normal operating results surplus of \$0.3 million in 2009 (excluding Capital Fund transfers for Debt Reserve of \$3.9 million and CPF Reimbursement of \$2.3 million). Total Fund Equity for the Operating Funds at the end of 2010 was \$27.3 million, an improvement of 33.1% over the prior year restated fund balance. Total Undesignated Operating Fund Balance at the end of 2010 was \$8.7 million, or 31.9% of Total Operating Fund Equity. The General Fund represents \$8.2 million, or 95%, of the total Undesignated Operating Fund Balance.
- All Major Operating Funds and Special Revenue Funds had a positive Fund Equity at the end of 2010, including the Police Fund, which eradicated its long standing deficit. Only one Special District Fund contains a Fund Balance Deficit (total deficit is \$135,305), and the Water District greatly improved its Fund Equity as a result of a legal settlement in the amount of \$1.2 million.
- The Community Preservation Fund had a positive change in equity of \$14.1 million, leading to total fund equity at the end of 2010 of \$48.7 million. The Town's Capital Fund had a surplus of \$15.0 million after the issuance of long-term serial bonds in the amount of \$20.3 million, which eliminated the 2009 Fund Balance Deficit and left a 2010 fund balance of approximately \$585,000. Long-term debt had not been issued by the Town since 2007 (related to the Capital Fund).
- Total 2010 Debt Service for the Town's Operating Funds was \$8.1 million, or 8.8% of Total Operating Revenues. The Community Preservation Fund Debt Service was \$8.4 million in 2010, and it ended the year with a Debt Service Reserve of \$5.1 million. The Town refunded outstanding bonds in 2010 for the years 1997 – 2002, and issued a new 10 year bond in the amount of \$9.4 million at a reduced interest rate of 2.8%. The total expected savings to the Town as a result of the refunding is approximately \$750,000 in 2010 and 2011.
- Total 2010 Revenues for the Town's Operating Funds was \$91.9 million, of which \$62.3 million or 67.8% was from Property Taxes. Comparatively, in 2009, Total Operating Revenues were \$84.0 million, of which 70.5% were from Property Taxes. Year over year, Total Operating Revenues increased 9.4%. In 2010, Federal and State Aid comprised 46.7% of total Non-Property Tax Operating Revenues.
- Total 2010 Expenditures for the Town's Operating Funds were \$84.7 million, an increase of only \$243,000 over the year 2009. Excluding Debt Service and Special Grant Funds (Housing and Urban Development "HUD" and Community Development Block Grant "CDBG"), Total Town Expenditures were \$90.5 million, of which \$53.8 million, or 59.4%, were employee related Compensation and Benefits. Total Employee Benefit Costs increased 19.7% between 2010 and 2008.
- In 2010, the Town combined the Building and Zoning Enterprise Fund with the Town Outside Village Fund. This leaves the Town with three business-type activities; Beaches and Marinas, Waste Management and the Poxabogue Golf Course, which is jointly owned with the Town of East Hampton.
- The General Fund's total fund balance, as reflected in the fund financial statements, is \$14,005,683, which is an increase of \$2,499,399 or 21.7% as compared to the *restated* prior year (see pages 17 and 19). This was related to net interfund transfers of \$624,061 and a net operating gain of \$1,815,338, of which \$500,000 was planned for fund balance improvement.

- The General Fund's total revenues, including net financing sources, were favorable to the 2010 Adopted Budget by \$1,719,524, or 5.1%. Total expenditures were favorable to the 2010 Adopted Budget by \$779,875, or 2.3%, due to lower than anticipated expenditures related to General Governmental Support (see page 56).
- The Police District Fund is no longer in a fund *deficit*. The fund balance, as reflected in the financial statements, was \$234,831, which is an improvement of \$1,090,878, or 127.4%, over the *restated* prior year's fund balance. The improvement reflects the achievement of the planned deficit reduction in the 2010 Operating Budget, as well as favorable operating revenues to the 2010 Adopted Budget of \$260,182, due to higher than anticipated other real property tax items and state aid. Operating expenditures were favorable to the 2010 Adopted Budget by \$1,230,696, or 5.6%, due to lower than anticipated expenditures related to public safety (see page 57).
- The Town Outside Village Fund's total fund balance, as reflected in the financial statements, was \$1,218,538, after the Town Board directed the closure and collapse of the Building and Zoning Enterprise Fund in 2010. It reflects a *restated* fund balance adjustment related to prior period accounting errors associated with Sub-Division Park Fees that were misclassified as Undesignated Fund Balance in the amount of approximately \$1.8 million. This reduction in fund balance is offset by positive budget revenue variances for Building and Electrical Permit Fees, and interfund revenue transfers related to the closure of accounts in the Special Revenue Fund (see page 58).
- The Highway Fund's total fund balance, as reflected in the financial statements, was \$1,482,751, which is an improvement of \$404,271, over the *restated* prior year's fund *deficit*. The planned fund balance improvement of \$1.4 million in the 2010 Adopted Budget could not be fully achieved due to excessive inclement weather demands for snow removal and drainage, as well as an appropriation of fund balance of \$360,000 for road improvements. This shortfall was offset by inter-fund revenue transfers from account closures in the Special Fund to establish a snow removal and drainage improvements reserve account (see page 59).
- The Town's total net assets, as reflected in the *Government-wide* financial statements, increased by \$13,583,829 or 2.2%. This increase is primarily due to increased real property taxes and local revenue sources being collected, and increases in Community Preservation and state aid revenues offset by 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 \$118,809,371. Of this amount, \$54,677,511 (which includes \$34,254,338 of Community Preservation revenues) was offset by program charges for services and operating and capital grants. General revenues of \$77,715,689 amounted to 58.7% of total revenues (see page 16).
- The notes related to prior period adjustments resulting in *restated* fund balances can be found on page 54.

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 supplemental 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 financial statements (see pages 17 - 23).

- The *governmental fund financial statements* tell how basic services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund financial 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 fund financial 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 supplemental 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 Statement 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, 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, 2010 were \$833.7 million, an increase of \$9.5 million over the prior year. Total liabilities were \$202.1 million, a decrease of approximately \$4.0 million from the prior year. The result is a net asset balance of \$631.6 million, an increase of \$13.6 million over the prior year. Of the Town's net assets, \$595.9 million were invested in capital assets, net of related debt. Restricted net assets were \$55.8 million and unrestricted net assets were a deficit of \$(20.1) million on December 31, 2010.

- Positive working capital of \$61.0 million was due to an increase in restricted cash of \$22.1 million, a decrease in bond anticipation notes payable of \$16.9 million and an increase in the amount due to employees' retirement system of \$0.5 million.
- Investment in capital assets of \$595.9 million (compared to \$592.8 million in 2009) increased primarily due to ongoing bond principal payments, reduction of bond principal payable as a result of bond refunding and ongoing capital projects purchases offset by depreciation charges.
- The Town's bonded indebtedness was \$135.2 million which is included in liabilities of which \$64.6 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, 2010 were \$54.7 million, an increase of \$10.8 million from 2009, which is primarily related to an increase in CPF revenue collected. General revenues increased by \$5.1 million from last year to \$77.7 million primarily related to increases in real property taxes, other real property taxes and state aid. Total combined revenues for 2010 were \$132.4 million, an increase of \$16.0 million from 2009. Expenses for the year ended December 31, 2010 were \$118.8 million reflecting an increase of \$1.3 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, 2010 in the amount of \$13.6 million.

The Town's combined net assets increased from a year ago from \$618.0 million to \$631.6 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	
	2010	2009 (As Restated)	2010	2009 (As Restated)	2010	2009 (As Restated)
Assets						
Current and other assets	\$ 94,494,427	\$ 83,123,153	\$ 780,343	\$ 900,484	\$ 95,274,770	\$ 84,023,637
Non-current assets	715,383,289	716,784,690	23,039,199	23,346,501	738,422,488	740,131,191
Total assets	\$ 809,877,716	\$ 799,907,843	\$ 23,819,542	\$ 24,246,985	\$ 833,697,258	\$ 824,154,828
Liabilities						
Current liabilities	\$ 29,233,663	\$ 53,347,621	\$ 4,994,882	\$ 7,742,323	\$ 34,228,545	\$ 61,089,944
Long-term liabilities	159,802,777	138,761,769	8,093,059	6,313,515	167,895,836	145,075,284
Total liabilities	\$ 189,036,440	\$ 192,109,390	\$ 13,087,941	\$ 14,055,838	\$ 202,124,381	\$ 206,165,228
Net assets						
Invested in capital assets, net of related debt	\$ 581,511,256	\$ 576,456,907	\$ 14,385,599	\$ 16,345,063	\$ 595,896,855	\$ 592,801,970
Restricted	55,806,221	42,827,892	-	-	55,806,221	42,827,892
Unrestricted	(16,476,201)	(11,486,346)	(3,653,998)	(6,153,916)	(20,130,199)	(17,640,262)
Total net assets	\$ 620,841,276	\$ 607,798,453	\$ 10,731,601	\$ 10,191,147	\$ 631,572,877	\$ 617,989,600

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	
	2010	2009 (As Restated)	2010	2009 (As Restated)	2010	2009 (As Restated)
Program revenues:						
Charges for services	\$ 7,906,365	\$ 7,285,539	\$ 4,390,685	\$ 4,091,318	\$ 12,297,050	\$ 11,376,857
Operating grants and contributions	42,090,351	31,959,444	54,563	30,655	42,144,914	31,990,099
Capital grants and contributions	235,547	495,052	-	-	235,547	495,052
Total program revenues	50,232,263	39,740,035	4,445,248	4,121,973	54,677,511	43,862,008
General revenues:						
Real property taxes	62,263,733	59,192,549	492,017	-	62,755,750	59,192,549
Other real property tax items	536,037	65,223	-	-	536,037	65,223
Non-property tax items	1,350,747	1,013,649	-	-	1,350,747	1,013,649
Interest earnings	720,489	568,086	3,200	5,664	723,689	573,750
State aid - unrestricted	8,053,994	7,301,340	-	-	8,053,994	7,301,340
Other	4,295,472	4,420,251	-	-	4,295,472	4,420,251
Total general revenues	77,220,472	72,561,098	495,217	5,664	77,715,689	72,566,762
Total revenues	127,452,735	112,301,133	4,940,465	4,127,637	132,393,200	116,428,770
Program expenses:						
General governmental support	25,074,740	23,697,473	-	-	25,074,740	23,697,473
Public safety	31,543,786	29,768,091	-	-	31,543,786	29,768,091
Health	2,471,220	2,507,258	-	-	2,471,220	2,507,258
Transportation	23,815,305	24,024,518	-	-	23,815,305	24,024,518
Economic assistance and opportunity	3,126,172	3,660,663	-	-	3,126,172	3,660,663
Culture and recreation	7,438,142	7,471,413	-	-	7,438,142	7,471,413
Home and community services	15,196,972	17,378,146	-	-	15,196,972	17,378,146
Interest on debt	5,265,610	4,370,036	280,637	318,940	5,546,247	4,688,976
Beaches and marinas	-	-	1,591,250	1,515,979	1,591,250	1,515,979
Waste management	-	-	2,354,890	2,197,650	2,354,890	2,197,650
Golf course	-	-	650,647	633,436	650,647	633,436
Total expenses	113,931,947	112,877,598	4,877,424	4,666,005	118,809,371	117,543,603
Excess (deficiency) before interfund transfers	13,520,788	(576,465)	63,041	(538,368)	13,583,829	(1,114,833)
Interfund transfers	(427,733)	-	427,733	-	-	-
Change in net assets	\$ 13,093,055	\$ (576,465)	\$ 490,774	\$ (538,368)	\$ 13,583,829	\$ (1,114,833)

Governmental Activities

Revenues for the Town's governmental activities increased by 13.5% (\$15.2 million) while total expenses decreased by 1.0% (\$1.1 million). The majority of the increase in revenue is due to an increase in operating grants and an increase in real property taxes.

The cost of all governmental activities this year was \$114.0 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 \$62.3 million, because some of the cost was paid by those who directly benefited from the programs (\$7.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$42.3 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	
	2010	2009 (As restated)	2010	2009 (As restated)	2010	2009 (As restated)
	General governmental support	\$ 25,074,740	\$ 23,697,473	\$ 35,900,998	\$ 26,066,587	\$ 10,826,258
Public safety	31,543,786	29,768,091	338,106	382,666	(31,205,680)	(29,385,425)
Health	2,471,220	2,507,258	-	-	(2,471,220)	(2,507,258)
Transportation	23,815,305	24,024,518	1,858,308	2,193,060	(21,956,997)	(21,831,458)
Economic assistance and opportunity	3,126,172	3,660,663	1,053,827	964,016	(2,072,345)	(2,696,647)
Culture and recreation	7,438,142	7,471,413	927,422	1,002,933	(6,510,720)	(6,468,480)
Home and community services	15,196,972	17,378,146	10,153,602	9,130,773	(5,043,370)	(8,247,373)
Interest on debt	5,265,610	4,370,036	-	-	(5,265,610)	(4,370,036)
	<u>\$ 113,931,947</u>	<u>\$ 112,877,598</u>	<u>\$ 50,232,263</u>	<u>\$ 39,740,035</u>	<u>\$ (63,699,684)</u>	<u>\$ (73,137,563)</u>

The overall net cost of services decreased over 2009 by \$9.4 million. The majority of the decrease in cost of services was due to increased tax receipts for CPF purchases.

Table 4: Sources of Revenues for Fiscal Year 2010 – Governmental Activities

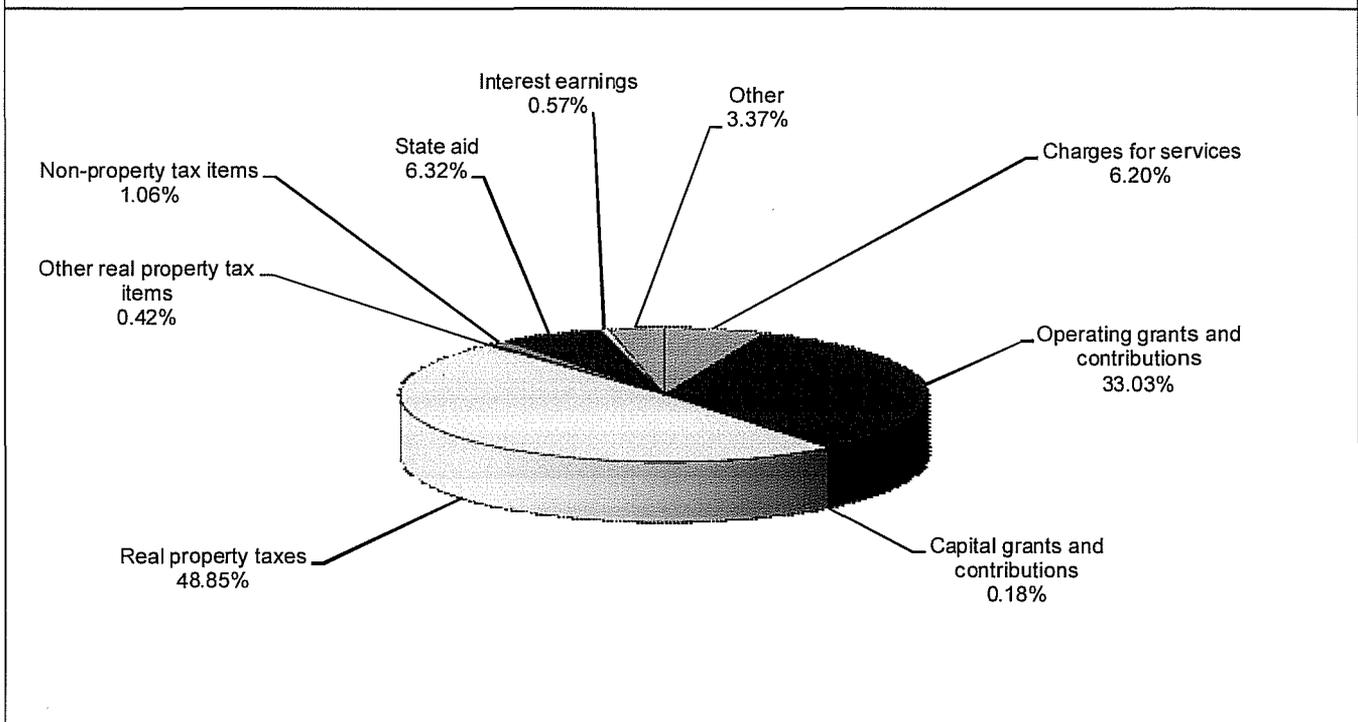
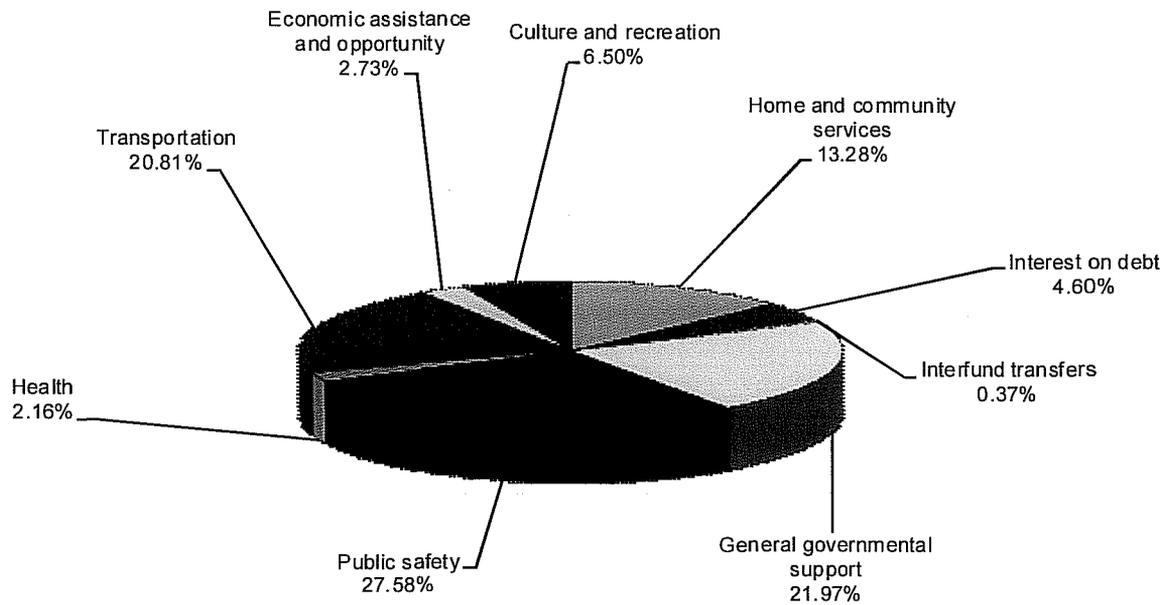


Table 5: Expenses for Fiscal Year 2010 – Governmental Activities



Business-Type Activities

The Town's total operating revenues from business-type activities increased by 19.7 percent (\$0.8 million) over 2009 (as restated). Some significant year-end financial data relating to these entities are highlighted as follows:

- Operating revenue in the Beaches and Marinas Fund totaled \$1.9 million in 2010. The increase in operating revenue from the previous year is attributable to increased beach parking fees at the beaches and the decision to raise property taxes to cover the debt services on improvements within the fund. The fund overall had an increase in net assets of approximately \$0.4 million due to increased tax revenue of \$0.2 million.
- Operating revenue in the Waste Management Fund totaled \$2.5 million in 2010. An increase in landfill fees contributed to the increase in revenue of approximately \$0.6 million. The fund had an increase in net assets of approximately \$40,000. Overall, the operating revenues for the current year were sufficient to cover operating expenditures because of the increase in the charges to Governmental Funds for the services they utilize and the decision to raise property taxes to cover the debt services on improvements to the facility.
- The Golf Course experienced a decrease in expenses to cover its decreased operating revenues, yielding a net loss. The net loss was offset by an interfund transfer from the Capital Fund to close the capital project related to the golf course in the amount of \$159,060.

Table 6: Sources of Revenues for Fiscal Year 2010 – Business-Type Activities

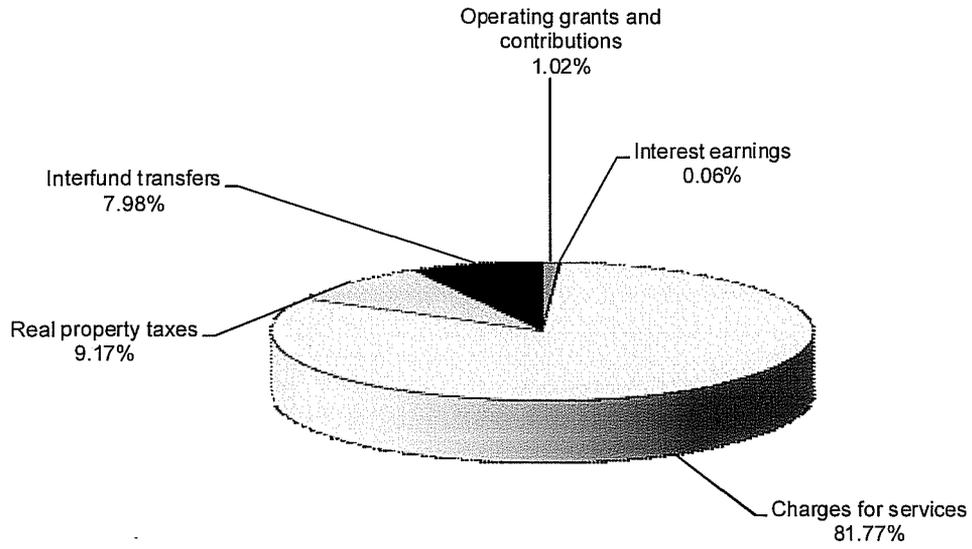
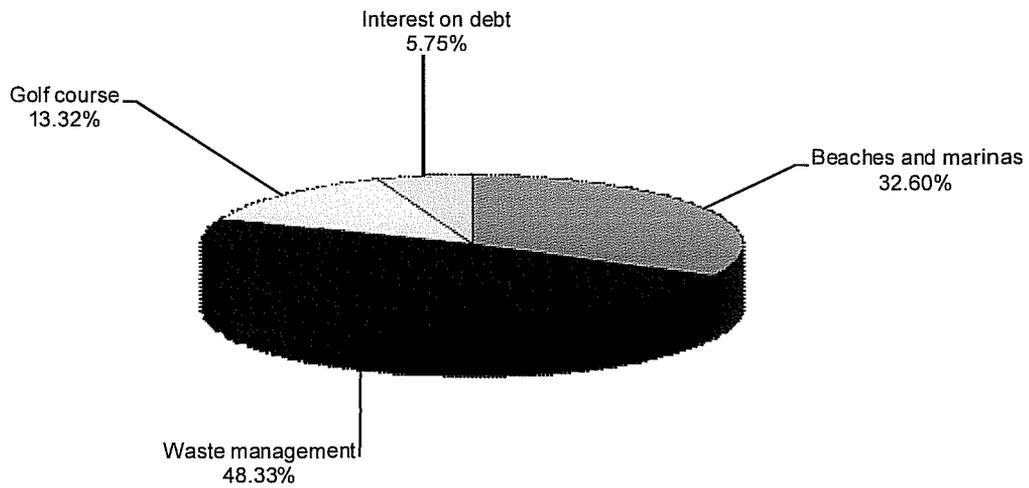


Table 7: Expenses for Fiscal Year 2010 – Business-Type Activities



FINANCIAL ANALYSIS OF CERTAIN TOWN GOVERNMENTAL FUNDS

Governmental Funds

General Fund assets increased by 5.5%, primarily related to an increase in accounts receivable and due from fiduciary fund. Liabilities decreased by 40.1%, primarily related to a decrease of \$0.4 million in accounts payable and \$1.6 million in deferred revenues. Fund balance increased by \$2.5 million, or 21.7%, *after the 2009 fund balance was restated from \$11.6 million to \$11.5 million*, to reflect an increase in prior year interfund liabilities.

The General Fund has a larger undesignated fund balance of \$8.3 million, which represents 25.0% of annual operating general fund expenditures, in addition to a tax stabilization reserve of \$5.2 million.

The Police District Fund operated with an excess of approximately \$1.1 million in 2010. As expected, in 2010, the Town eliminated the deficit in the Police District Fund by a combination of lower costs and larger tax increases over the past two fiscal years.

The Capital Projects Fund had an increase in fund balance of \$15.0 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 prior year deficit fund balance was eliminated when the Town converted its short-term borrowings of \$24.0 million to long-term borrowings in 2010. Proceeds from the issuance of debt were \$20,285,000 in 2010.

In the Community Preservation Fund, the fund balance increased approximately \$14.1 million, mostly related to the increase in tax receipts. Overall, expenditures decreased by \$9.2 million from 2009, mostly related to the decrease in land purchases and in debt service payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the Town had \$738.2 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 \$373.0 million of the Town's total \$491.5 million of land. The details of capital assets are shown in Note 7 to the financial statements.

Table 8: Net Investment in Capital Assets for Fiscal Year 2010

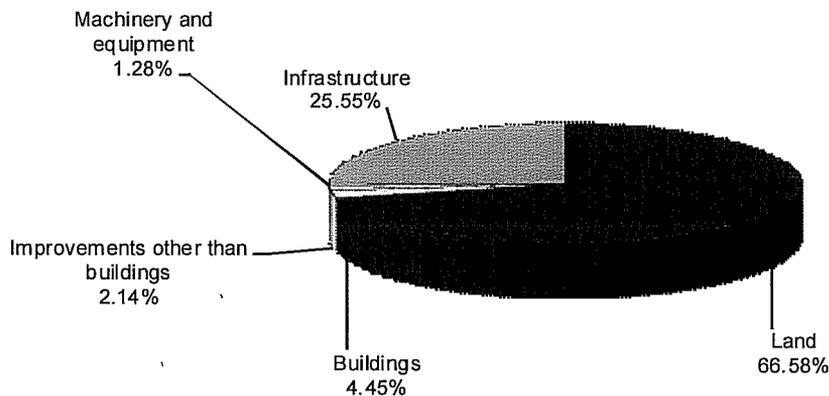


Table 9:

Capital Assets
As of December 31,

	2010	2009 (As Restated)
Governmental Activities:		
Land	\$ 480,217,567	\$ 471,938,935
Buildings	37,631,530	37,457,227
Improvements other than buildings	14,509,678	14,289,155
Machinery and equipment	25,262,931	23,721,971
Infrastructure –		
Bridges	1,216,896	1,052,045
Landfill	9,412,515	9,412,515
Roads, curbs and sidewalks	345,313,282	340,586,325
Lighting system	1,349,791	1,349,791
Bulkheads, piers and boardwalks	9,354,536	9,346,204
Water and sewer mains	10,249,217	9,279,178
	<u>934,517,943</u>	<u>918,433,346</u>
Less accumulated depreciation	<u>219,368,087</u>	<u>201,997,476</u>
	<u>\$ 715,149,856</u>	<u>\$ 716,435,870</u>
Business-type Activities:		
Land	\$ 11,287,063	\$ 11,287,063
Buildings	4,422,433	4,520,379
Improvements other than buildings	8,710,155	8,577,631
Machinery and equipment	<u>2,394,416</u>	<u>2,720,186</u>
	<u>26,814,067</u>	<u>27,105,259</u>
Less accumulated depreciation	<u>3,774,868</u>	<u>3,449,336</u>
	<u>\$ 23,039,199</u>	<u>\$ 23,655,923</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 was 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

The Town's debt management policy limits the Town's debt service funded by taxpayers to not more than 15% of operating expenditures, excluding the Community Preservation Fund. For 2010, the Town's total debt service was approximately \$16.5 million, of which \$8.4 million was paid by the Community Preservation Fund, resulting in taxpayer supported debt service of approximately \$8.1 million. Debt service in 2010, excluding CPF, was 9.5% of operating expenditures.

The Town of Southampton current outstanding bonded indebtedness was \$135.2 million at year-end 2010, of which \$64.6 million was related to the Community Preservation Fund land purchases, \$43.2 million for various General Fund capital assets, \$21.7 million related to highway improvements and \$5.7 million for the Hampton Bays Water District.

There were two serial bond issuances during 2010, one original issuance of approximately \$22.8 million and one refunding issuance of \$9.4 million. As of December 31, 2010, there was approximately \$7.1 million of short-term bond anticipation notes outstanding.

The Town has accrued a \$27.7 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 500 full-time, year-round employees at the end of 2010, 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. During 2010, senior officers within the PBA formed a new union, The Senior Officers Association (the "SOA"), with 19 employees, leaving the PBA with approximately 76 employees. 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 were settled in 2010, and the SOA contract was settled in 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budget Procedures

The Town's elected officials considered many factors when setting the fiscal-year 2010 budget, tax rates and fees to be charged for the business-type activities. The 2010 Adopted Operating Budget was structurally balanced and did not appropriate any fund balance. In 2003, the Town Board mandated a 5% cap on any increases in the Town tax rate in any given year.

In the midst of one of the worst economic recessions in decades affecting our taxpayers, a more cost efficient budget was adopted for 2011, which sought to minimize the property tax increase. The Town Board appropriated \$1.1 million to balance the 2011 Adopted Operating Budget. A 2012 Operating Budget was projected to meet the proposed 2% Tax Levy cap proposed by the New York State Governor.

See page 3 for discussion regarding significant budget variances and see pages 56 through 59 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>
2010	\$ 303,357,256	\$ 286,374,105	\$ 16,983,151	\$ 15,576,863
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	236,597,356	225,544,264	11,053,092	9,471,212
2005	222,742,020	211,398,147	11,343,873	8,767,202

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 2011 results will improve based on these recent rate decisions:

- The Beach and Marinas Enterprise Fund performed better than expected in 2010, with Property Taxes allocated to pay for Debt Service and higher than anticipated Beach Parking receipts. It is expected that property taxes will continue to be required to further subsidize the debt service and address the fund balance deficits.
- The Waste Management Enterprise Fund slightly improved its net asset deficit at the end of 2010 to \$(1,300,446). A proposal to reimburse the fund for its historical asset costs to eradicate the deficit is under consideration by the Town Board for 2011. Also, the 2011 budget continued the practice of raising property taxes to pay for the debt service, and to charge other Town tax districts for services.
- The Poxabogue Golf Course is jointly owned with the Town of East Hampton. Revenues declined in 2010 due to the unexpected closing of the restaurant. A plan for a new restaurant to be opened in 2011 has been negotiated with the existing managing operator and an RFP has been developed.

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, 2010

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and cash equivalents	\$ 32,615,319	\$ 720,370	\$ 33,335,689	\$ 293,664
Restricted cash	46,273,601	-	46,273,601	85,925
Accounts receivable, net	2,460,871	24,221	2,485,092	101,380
State and federal aid receivables	4,742,631	-	4,742,631	-
Due from fiduciary funds	4,404,991	-	4,404,991	-
Due from other governments	3,232,347	-	3,232,347	-
Prepaid expenses	763,867	15,695	779,562	26,639
Inventory of materials and supplies	-	20,057	20,057	-
Other assets	800	-	800	13,955
Total current assets	<u>94,494,427</u>	<u>780,343</u>	<u>95,274,770</u>	<u>521,563</u>
Noncurrent assets:				
Deferred charges, net	233,433	-	233,433	23,792
Non-depreciable capital assets	480,217,567	11,287,063	491,504,630	710,816
Depreciable capital assets, net	<u>234,932,289</u>	<u>11,752,136</u>	<u>246,684,425</u>	<u>2,548,947</u>
Total non-current assets	<u>715,383,289</u>	<u>23,039,199</u>	<u>738,422,488</u>	<u>3,283,555</u>
Total assets	<u>\$ 809,877,716</u>	<u>\$ 23,819,542</u>	<u>\$ 833,697,258</u>	<u>\$ 3,805,118</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,988,774	\$ 109,776	\$ 4,098,550	\$ 34,387
Accrued liabilities	1,417,093	-	1,417,093	18,535
Accrued interest payable	1,368,835	67,608	1,436,443	2,242
Bond anticipation notes payable	6,992,200	80,000	7,072,200	-
Due to employees' retirement system	3,102,407	91,684	3,194,091	-
Due to fiduciary funds	270,232	3,726,759	3,996,991	-
Due to other governments	23,695	277,506	301,201	-
Deferred revenues	917,708	7,449	925,157	15,874
Non-current liabilities due within one year:				
General obligation bonds payable	10,338,293	634,100	10,972,393	-
Special assessment bonds with governmental commitment	44,607	-	44,607	-
Bond issue premium	86,509	-	86,509	-
Compensated absences	479,059	-	479,059	-
Estimated liability for landfill closure and post-closure care costs	204,251	-	204,251	-
Mortgages payable	-	-	-	37,598
Total current liabilities	<u>29,233,663</u>	<u>4,994,882</u>	<u>34,228,545</u>	<u>108,636</u>
Noncurrent liabilities:				
General obligation bonds payable	116,061,469	7,939,500	124,000,969	110,000
Special assessment bonds with governmental commitment	202,031	-	202,031	-
Bond issue premium	718,558	-	718,558	-
Compensated absences	9,506,852	153,559	9,660,411	-
Judgments and claims payable	1,808,500	-	1,808,500	-
Other post-employment benefits	27,742,065	-	27,742,065	-
Due to employees' retirement system	151,563	-	151,563	-
Estimated liability for landfill closure and post-closure care costs	3,611,739	-	3,611,739	-
Mortgages payable	-	-	-	2,927,692
Total noncurrent liabilities	<u>159,802,777</u>	<u>8,093,059</u>	<u>167,895,836</u>	<u>3,037,692</u>
Total liabilities	<u>189,036,440</u>	<u>13,087,941</u>	<u>202,124,381</u>	<u>3,146,328</u>
NET ASSETS				
Investment in capital assets, net of related debt	581,511,256	14,385,599	595,896,855	208,265
Restricted:				
Home and community services	-	-	-	244,148
Debt service	5,635,147	-	5,635,147	-
Tax stabilization	6,584,812	-	6,584,812	-
Community preservation	43,586,262	-	43,586,262	-
Unrestricted	<u>(16,476,201)</u>	<u>(3,653,998)</u>	<u>(20,130,199)</u>	<u>206,377</u>
Total net assets	<u>620,841,276</u>	<u>10,731,601</u>	<u>631,572,877</u>	<u>658,790</u>
Total liabilities and net assets	<u>\$ 809,877,716</u>	<u>\$ 23,819,542</u>	<u>\$ 833,697,258</u>	<u>\$ 3,805,118</u>

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, 2010

	Program Revenues				Net Expenses and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Functions and programs:								
Primary Government -								
Governmental activities:								
General governmental support	\$ 25,074,740	\$ 1,255,590	\$ 34,645,408	\$ -	\$ 10,826,258	\$ -	\$ 10,826,258	\$ -
Public safety	31,543,786	182,601	155,505	-	(31,205,680)	-	(31,205,680)	-
Health	2,471,220	-	-	-	(2,471,220)	-	(2,471,220)	-
Transportation	23,815,305	684,058	938,703	235,547	(21,956,997)	-	(21,956,997)	-
Economic assistance and opportunity	3,126,172	-	1,053,827	-	(2,072,345)	-	(2,072,345)	-
Culture and recreation	7,438,142	62,559	864,863	-	(6,510,720)	-	(6,510,720)	-
Home and community services	15,196,972	5,721,557	4,432,045	-	(5,043,370)	-	(5,043,370)	-
Interest on debt	5,265,610	-	-	-	(5,265,610)	-	(5,265,610)	-
Total governmental activities	113,931,947	7,906,365	42,090,351	235,547	(63,699,684)	-	(63,699,684)	-
Business-type activities:								
Beaches and marinas	1,591,250	1,633,128	4,534	-	-	46,412	46,412	-
Waste management	2,354,890	2,210,232	49,749	-	-	(94,909)	(94,909)	-
Golf course	650,647	547,325	280	-	-	(103,042)	(103,042)	-
Interest on debt	280,637	-	-	-	-	(280,637)	(280,637)	-
Total business-type activities	4,877,424	4,390,685	54,563	-	-	(432,176)	(432,176)	-
Total primary government	\$ 118,809,371	\$ 12,297,050	\$ 42,144,914	\$ 235,547	(63,699,684)	(432,176)	(64,131,860)	-
Component Unit -								
Economic assistance and opportunity	\$ 611,559	\$ 140,003	\$ 367,833	\$ -				(103,723)
			General revenues:					
			Real property taxes		62,263,733	492,017	62,755,750	-
			Other real property tax items		536,037	-	536,037	-
			Non-property tax items		1,350,747	-	1,350,747	-
			Interest earnings		720,489	3,200	723,689	5,071
			State aid - unrestricted		8,053,994	-	8,053,994	-
			Other		4,295,472	-	4,295,472	235,076
			Transfers		(427,733)	427,733	-	-
			Total general revenues		76,792,739	922,950	77,715,689	240,147
			Change in net assets		13,093,055	490,774	13,583,829	136,424
			Total net assets, beginning of year, as restated (see Note 18)		607,748,221	10,240,827	617,989,048	522,366
			Total net assets, end of year		\$ 620,841,276	\$ 10,731,601	\$ 631,572,877	\$ 658,790

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

TOWN OF SOUTHAMPTON
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	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
ASSETS										
Cash and cash equivalents	\$ 8,786,241	\$ 160,212	\$ 1,442,719	\$ 1,446,244	\$ 626,993	\$ 10,495,801	\$ 22,958,210	\$ 9,657,109	\$ -	\$ 32,615,319
Restricted cash	113,707	-	-	359,317	-	314,842	787,866	-	45,485,735	46,273,601
Accounts receivable, net	683,012	52,716	-	1,673	7,681	487,411	1,232,493	-	3,529	1,236,022
State and federal aid receivables	2,590,121	1,950,736	-	47,538	-	26,901	4,615,296	127,335	-	4,742,631
Due from fiduciary funds	3,975,419	-	28,435	393,530	-	5,885	4,403,269	-	1,722	4,404,991
Due from other governments	2,153	-	-	-	-	-	2,153	-	3,230,194	3,232,347
Prepaid expenses	294,053	246,851	59,093	109,605	27,138	21,954	758,694	2,902	2,271	763,867
Other assets	800	-	-	-	-	-	800	-	-	800
Total assets	\$ 16,445,506	\$ 2,410,515	\$ 1,530,247	\$ 2,357,907	\$ 661,812	\$ 11,352,794	\$ 34,758,781	\$ 9,787,346	\$ 48,723,451	\$ 93,269,578
LIABILITIES										
Accounts payable	\$ 582,853	\$ 90,086	\$ 42,703	\$ 381,747	\$ 2,386	\$ 1,120,614	\$ 2,220,389	\$ 1,757,433	\$ 10,952	\$ 3,988,774
Accrued liabilities	507,326	446,270	2,133	60,667	53,536	25,110	1,095,042	322,051	-	1,417,093
Bond anticipation notes payable	-	-	-	-	-	-	-	6,992,200	-	6,992,200
Due to employees' retirement system	1,013,552	1,374,734	215,120	281,820	94,930	64,444	3,044,600	21,931	22,787	3,089,318
Due to fiduciary funds	-	18,201	1,296	-	7,379	134,308	161,184	109,048	-	270,232
Due to other governments	23,695	-	-	-	-	-	23,695	-	-	23,695
Deferred revenues	312,397	246,393	50,457	150,922	28,316	129,223	917,708	-	-	917,708
Total liabilities	2,439,823	2,175,684	311,709	875,156	186,547	1,473,699	7,462,618	9,202,663	33,739	16,699,020
FUND EQUITY										
Fund balances - reserved:										
Encumbrances	37,871	4,657	24,769	-	-	948	68,245	-	3,450	71,695
Debt service	472,777	-	-	-	-	62,370	535,147	-	5,100,000	5,635,147
Special purpose	-	-	-	359,317	-	9,801,082	10,160,399	-	-	10,160,399
Tax stabilization	5,214,877	230,174	113,806	869,001	156,954	-	6,584,812	-	-	6,584,812
Community preservation	-	-	-	-	-	-	-	-	43,586,262	43,586,262
Fund balances - unreserved:										
Designated for subsequent year's expenditures	-	-	1,079,963	-	-	150,000	1,229,963	-	-	1,229,963
Undesignated	8,280,158	-	-	254,433	318,311	(135,305)	8,717,597	584,683	-	9,302,280
Total fund equity	14,005,683	234,831	1,218,538	1,482,751	475,265	9,879,095	27,296,163	584,683	48,689,712	76,570,558
Total liabilities and fund equity	\$ 16,445,506	\$ 2,410,515	\$ 1,530,247	\$ 2,357,907	\$ 661,812	\$ 11,352,794	\$ 34,758,781	\$ 9,787,346	\$ 48,723,451	\$ 93,269,578

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, 2010

Total Fund Equity - Governmental Funds \$ 76,570,558

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	\$ 480,217,567		
Depreciable	454,300,376		
Accumulated depreciation	<u>(219,368,087)</u>	715,149,856	

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 governmental fund financial statements. However, these liabilities are included in the Statement of Net Assets:

General obligation bonds payable, inclusive of premiums	(127,204,829)		
Special assessment bonds with governmental commitment	(246,638)		
Compensated absences	(9,985,911)		
Judgments and claims payable	(1,808,500)		
Other post-employment benefits	(27,742,065)		
Employees' retirement system	(164,652)		
Estimated liability for landfill closure and post-closure care costs	<u>(3,815,990)</u>	(170,968,585)	

Deferred charges included in the Statement of Net Assets 233,433

Revenue that was not accrued on the governmental fund financial statements because it does not meet the availability criteria under the modified accrual basis of accounting is included in the Statement of Net Assets. 1,224,849

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 governmental fund financial statements. However, these liabilities are included in the Statement of Net Assets. (1,368,835)

Net Assets - Governmental Activities \$ 620,841,276

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 - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	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
REVENUES										
Real property taxes	\$ 22,991,545	\$ 19,139,406	\$ 1,591,649	\$ 10,210,657	\$ 2,164,231	\$ 6,166,245	\$ 62,263,733	\$ -	\$ -	\$ 62,263,733
Other real property tax items	188,612	133,171	11,081	74,604	14,250	114,319	536,037	-	-	536,037
Non-property tax items	1,350,747	-	-	-	-	-	1,350,747	-	34,225,797	35,576,544
Special assessments	62,559	-	-	-	-	-	62,559	-	-	62,559
Departmental income	798,100	182,601	3,018,276	-	-	2,703,281	6,702,258	-	-	6,702,258
Intergovernmental charges	45,063	-	-	638,995	-	-	684,058	-	-	684,058
Use of money and property	79,437	27,621	8,436	14,812	2,955	323,486	456,747	50,315	213,427	720,489
Licenses and permits	251,435	36,782	-	-	-	-	288,217	-	-	288,217
Fines and forfeitures	1,835,927	-	-	-	-	-	1,835,927	-	-	1,835,927
Sale of property and compensation for loss	-	22,388	-	-	-	240,300	262,688	-	-	262,688
Miscellaneous local sources	920,335	100,993	147,541	188,151	86,885	2,147,000	3,590,905	391,070	3,541	3,985,516
State aid	5,936,053	2,085,155	-	650,934	-	32,786	8,704,928	225,660	25,000	8,955,588
Federal aid	457,490	54,512	-	99,618	-	4,522,045	5,133,665	9,887	-	5,143,552
Total revenues	34,917,303	21,782,629	4,776,983	11,877,771	2,268,321	16,249,462	91,872,469	676,932	34,467,765	127,017,166
EXPENDITURES										
General governmental support	13,728,555	-	-	-	-	123,810	13,852,365	-	10,927,446	24,779,811
Public safety	2,099,468	14,490,428	123,345	-	1,531,872	822,126	19,067,239	-	-	19,067,239
Health	-	-	-	-	-	2,471,220	2,471,220	-	-	2,471,220
Transportation	-	-	-	7,025,017	-	419,026	7,444,043	-	-	7,444,043
Economic assistance and opportunity	2,106,919	-	-	-	-	455	2,107,374	-	-	2,107,374
Culture and recreation	3,822,787	-	-	-	-	553,035	4,375,822	-	-	4,375,822
Home and community services	534,566	-	2,934,241	-	-	6,767,924	10,236,731	-	-	10,236,731
Employee benefits	6,157,175	6,126,425	1,252,082	2,393,320	501,221	679,202	17,109,425	-	108,736	17,218,161
Capital outlay	-	-	-	-	-	-	-	6,878,197	-	6,878,197
Debt service -										
Principal	3,510,300	68,400	-	1,764,600	-	639,200	5,982,500	-	5,705,000	11,687,500
Interest	1,142,195	6,498	1,458	649,880	394	301,909	2,102,334	-	2,730,947	4,833,281
Total expenditures	33,101,965	20,691,751	4,311,126	11,832,817	2,033,487	12,777,907	84,749,053	6,878,197	19,472,129	111,099,379
Excess (deficiency) of revenues over (under) expenditures	1,815,338	1,090,878	465,857	44,954	234,834	3,471,555	7,123,416	(6,201,265)	14,995,636	15,917,787
OTHER FINANCING SOURCES (USES)										
Bond anticipation notes redeemed from appropriations	-	-	-	-	-	-	-	70,000	-	70,000
Proceeds from issuance of debt	60,000	-	-	-	-	-	60,000	20,285,000	-	20,345,000
Proceeds of refunding debt	9,430,000	-	-	-	-	-	9,430,000	-	-	9,430,000
Premium on debt issuance	1,070,569	-	-	-	-	-	1,070,569	-	-	1,070,569
Payment to refunded debt escrow agent	(10,500,569)	-	-	-	-	-	(10,500,569)	-	-	(10,500,569)
Interfund transfers in	1,324,756	-	182,004	359,317	65,544	511,873	2,443,494	1,172,502	-	3,615,996
Interfund transfers out	(700,695)	-	(12,100)	-	-	(2,132,130)	(2,844,925)	(336,604)	(862,200)	(4,043,729)
Total other financing sources (uses)	684,061	-	169,904	359,317	65,544	(1,620,257)	(341,431)	21,190,898	(862,200)	19,987,267
Changes in fund equity	2,499,399	1,090,878	635,761	404,271	300,378	1,851,298	6,781,985	14,989,633	14,133,436	35,905,054
Fund equity (deficit), beginning of year, as restated (see Note 18)	11,506,284	(856,047)	582,777	1,078,480	174,887	8,027,797	20,514,178	(14,404,950)	34,556,276	40,665,504
Fund equity, end of year	\$ 14,005,683	\$ 234,831	\$ 1,218,538	\$ 1,482,751	\$ 475,265	\$ 9,879,095	\$ 27,296,163	\$ 584,683	\$ 48,689,712	\$ 76,570,558

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 TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund equity - governmental funds		\$ 35,905,054
<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 depreciation exceeds capital outlay in the current period is:</p>		
Capital outlay	\$ 16,084,597	
Depreciation expense	<u>(17,370,611)</u>	(1,286,014)
<p>Other assets not available to pay for current period expenditures and, therefore, are deferred in the Statement of Net Assets.</p>		
		(1,325,204)
<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	(29,775,000)	
Premiums on issuance of bond	(677,991)	
Repayment of bond principal	21,513,000	
Repayment of special assessment bonds	<u>229,500</u>	(8,710,491)
<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	(9,867,817)	
Employees' retirement system	(159,166)	
Compensated absences	(693,723)	
Judgments and claims payable	(494,874)	
Estimated liability for landfill closure and post-closure care costs	88,960	
Accrued interest costs	<u>(363,670)</u>	<u>(11,490,290)</u>
Net change in net assets - governmental activities		<u>\$ 13,093,055</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, 2010

	MAJOR BUSINESS-TYPE ACTIVITIES		NON-MAJOR BUSINESS-TYPE ACTIVITIES	Total Proprietary Funds
	Beaches and Marinas	Waste Management	Golf Course	
Assets				
Current assets:				
Cash and cash equivalents	\$ 196,543	\$ -	\$ 523,827	\$ 720,370
Accounts receivable, net	-	24,221	-	24,221
Prepaid expenses	1,388	14,307	-	15,695
Inventory of materials and supplies	-	20,057	-	20,057
Total current assets	197,931	58,585	523,827	780,343
Non-current assets:				
Non-depreciable capital assets	8,024,789	169,100	3,093,174	11,287,063
Depreciable capital assets, net of depreciation	5,849,226	5,460,767	442,143	11,752,136
Total non-current assets	13,874,015	5,629,867	3,535,317	23,039,199
Total assets	\$ 14,071,946	\$ 5,688,452	\$ 4,059,144	\$ 23,819,542
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 21,091	\$ 62,368	\$ 26,317	\$ 109,776
Accrued interest payable	30,908	36,700	-	67,608
Bond anticipation notes payable	80,000	-	-	80,000
Due to employees' retirement system	36,067	55,617	-	91,684
Due to fiduciary funds	1,415,151	2,311,608	-	3,726,759
Due to other governments	-	-	277,506	277,506
Deferred revenues	3,631	3,818	-	7,449
Non-current liabilities due within one year - General obligation bonds payable	379,700	254,400	-	634,100
Total current liabilities	1,966,548	2,724,511	303,823	4,994,882
Non-current liabilities:				
General obligation bonds payable	3,800,600	4,138,900	-	7,939,500
Compensated absences	28,072	125,487	-	153,559
Total non-current liabilities	3,828,672	4,264,387	-	8,093,059
Total liabilities	5,795,220	6,988,898	303,823	13,087,941
Net Assets (Deficit)				
Investment in capital assets, net of related debt	9,613,715	1,236,567	3,535,317	14,385,599
Unrestricted	(1,336,989)	(2,537,013)	220,004	(3,653,998)
Total net assets (deficit)	8,276,726	(1,300,446)	3,755,321	10,731,601
Total liabilities and net assets (deficit)	\$ 14,071,946	\$ 5,688,452	\$ 4,059,144	\$ 23,819,542

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

TOWN OF SOUTHAMPTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	MAJOR BUSINESS-TYPE ACTIVITIES		NON-MAJOR BUSINESS-TYPE ACTIVITIES	Total Proprietary Funds
	Beaches and Marinas	Waste Management	Golf Course	
Operating revenues:				
Real property taxes	\$ 235,082	\$ 256,935	\$ -	\$ 492,017
Charges for services	1,633,128	2,210,232	547,325	4,390,685
Other	4,534	49,749	280	54,563
Total operating revenues	1,872,744	2,516,916	547,605	4,937,265
Operating expenses:				
Beaches and marinas	1,152,299	-	-	1,152,299
Waste management	-	1,593,048	-	1,593,048
Golf course	-	-	637,756	637,756
Depreciation	285,586	399,958	12,891	698,435
Employee benefits	153,365	361,884	-	515,249
Total operating expenses	1,591,250	2,354,890	650,647	4,596,787
Operating income (loss)	281,494	162,026	(103,042)	340,478
Non-operating revenues (expenses):				
Interfund transfers in	268,673	-	159,060	427,733
Interest income	1,877	677	646	3,200
Interest on debt	(159,184)	(121,453)	-	(280,637)
Total non-operating revenues (expenses)	111,366	(120,776)	159,706	150,296
Change in net assets	392,860	41,250	56,664	490,774
Total net assets (deficit), beginning of year, as restated (see Note 18)	7,883,866	(1,341,696)	3,698,657	10,240,827
Total net assets (deficit), end of year	\$ 8,276,726	\$ (1,300,446)	\$ 3,755,321	\$ 10,731,601

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

TOWN OF SOUTHAMPTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	MAJOR BUSINESS-TYPE ACTIVITIES		NON-MAJOR BUSINESS-TYPE ACTIVITIES	Total Proprietary Funds
	Beaches and Marinas	Waste Management	Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Revenue collected:				
Real property taxes	\$ 235,082	\$ 256,935	\$ -	\$ 492,017
Cash receipts from customers	1,636,759	2,196,447	553,925	4,387,131
Other operating cash receipts	4,534	58,017	280	62,831
Payments for expenses:				
Cash payments to other suppliers of goods or services	(1,152,196)	(1,610,472)	(623,460)	(3,386,128)
Cash payments to employees for services and related expenses	(122,122)	(319,332)	-	(441,454)
Other operating cash payments	(234,255)	-	(159,122)	(393,377)
Net cash provided (used) by operating activities	<u>367,802</u>	<u>581,595</u>	<u>(228,377)</u>	<u>721,020</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Purchase of capital assets	(11,894)	(252,181)	(127,057)	(391,132)
Proceeds from issuance of bond	-	2,425,000	-	2,425,000
Principal paid on bond anticipation note	-	(2,500,000)	-	(2,500,000)
Principal paid on capital debt	(376,400)	(146,100)	-	(522,500)
Interest paid on capital debt	(165,600)	(108,991)	-	(274,591)
Interfund transfer	268,673	-	159,060	427,733
Net cash provided (used) by financing activities	<u>(285,221)</u>	<u>(582,272)</u>	<u>32,003</u>	<u>(835,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and earnings received	1,877	677	646	3,200
Net cash provided by investing activities	<u>1,877</u>	<u>677</u>	<u>646</u>	<u>3,200</u>
Net increase (decrease) in cash and cash equivalents	84,458	-	(195,728)	(111,270)
Cash and cash equivalents, beginning of year	112,085	-	719,555	831,640
Cash and cash equivalents, end of year	<u>\$ 196,543</u>	<u>\$ -</u>	<u>\$ 523,827</u>	<u>\$ 720,370</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 281,494	\$ 162,026	\$ (103,042)	\$ 340,478
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	285,586	399,958	12,891	698,435
Accounts receivable	-	5,780	6,600	12,380
Prepaid expenses	(234)	(3,275)	-	(3,509)
Accounts payable and accrued liabilities	337	(14,149)	14,296	484
Due to employees' retirement system	28,318	16,494	-	44,812
Due to fiduciary funds	(234,255)	8,268	(159,122)	(385,109)
Deferred revenues	3,631	(19,565)	-	(15,934)
Compensated absences	2,925	26,058	-	28,983
Net cash provided (used) by operating activities	<u>\$ 367,802</u>	<u>\$ 581,595</u>	<u>\$ (228,377)</u>	<u>\$ 721,020</u>

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, 2010

ASSETS	Agency Funds
Cash	\$ 61,125,963
Accounts receivable, net	8,604
Prepaid charges	628
Due from proprietary funds	3,726,759
Due from governmental funds	270,232
Service award program assets	1,039,273
Total assets	\$ 66,171,459
LIABILITIES	
Due to governmental funds	\$ 4,404,991
Due to school districts	29,433,457
Due to Law Enforcement Services	26,720
Due to Justices	236,938
Bail liability	382,229
Service award program liabilities	1,039,273
Other agency liabilities	30,647,851
Total liabilities	\$ 66,171,459

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, 2010

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 7 incorporated villages, 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. Undivided interest

An "undivided interest" (also known as a joint operation) is an arrangement that resembles a joint venture but no entity or organization is created by the participants. An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. Because an undivided interest is not a legal entity, borrowing to finance its operations often is done individually by each participant. The Town participates in the following undivided interest:

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 financial 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 units. 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 units 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.

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 financial 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	
Public 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 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 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 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 provisions of the Accounting Standards Codification of the Financial Accounting Standards Board 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.

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 1st, and are due in two equal installments, payable without penalty on January 10th and May 31st respectively; after which taxes are payable to the County Treasurer. Penalties are imposed thereafter at the rate of 1% per month from January 10th until May 31st. 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 cash equivalents/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 are 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. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. Prepaid expenses in the Statement of Net Assets represent amounts paid in advance for employee retirement benefits and insurance.

M. Restricted assets

Certain assets 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 any loss on the early retirement of refunded debt are amortized on a straight-line basis over the life of the later 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 payable, special assessment bonds payable, amounts due to Employees' Retirement System, compensated absences, judgments and claims, 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 fund financial 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, special purpose, 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 vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity 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 20th, 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 30th, 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 5th, 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 20th, 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 may be 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

Designation of fund balance

Portions of the unreserved balances at December 31, 2010 were designated for the subsequent year's operating budgets as follows:

<u>Fund</u>	<u>Total Fund Balance Unreserved</u>	<u>Fund Balance Unreserved Designated</u>	<u>Fund Balance Unreserved Undesignated</u>
Major governmental funds:			
Town Outside Village Fund	\$ 1,079,963	\$ 1,079,963	\$ -
Non-major governmental funds:			
Water Districts	150,000	150,000	-

Fund deficits

Individual funds with total fund deficits as of December 31, 2010 were as follows:

	<u>Fund Deficit Unreserved and Undesignated</u>	<u>Total Fund Balance (Deficit)</u>
Fire Protection Districts	\$ (135,305)	\$ (135,305)
Waste Management Fund	(2,537,013)	(1,300,446)

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 \$5,635,147 at December 31, 2010 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, 2010 is as follows:

Balance - beginning	\$ 6,310,992
Board approved transfer of fund balance	3,108,061
Grants received for debt issued projects	68,016
Liquidation of reserve for debt service	<u>(3,851,922)</u>
 Balance - ending	 <u>\$ 5,635,147</u>

3. Reserve for special purpose

This reserve represents monies collected and maintained for a specific purpose and is only available for that purpose.

4. 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, 2010, the Town's book balances were \$140,735,253. The Town's bank deposit balances were \$144,220,160, of which \$5,698,314 was covered by the Federal Deposit Insurance Corporation, \$166,074,093 was covered by collateral held by the Town's agent, a third-party financial institution, in the Town's name and \$27,852,559 was collateralized with securities held by the pledging financial institution, or its trust, in the name of the Town.

At December 31, 2010, the Town's component units' 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, 2010, 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, 2010 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	\$ 3,975,419	\$ -
Police District Fund	-	18,201
Town Outside Village Fund	28,435	1,296
Highway Fund	393,530	-
Public Safety Communications	-	7,379
Capital Projects Fund	-	109,048
Community Preservation Fund	1,722	-
Non-Major Governmental Funds	5,885	134,308
Major Business-Type Funds:		
Beaches and Marinas	-	1,415,151
Waste Management	-	2,311,608
Non-Major Business-Type Fund	-	-
Agency Funds	<u>3,996,991</u>	<u>4,404,991</u>
	<u>\$ 8,401,982</u>	<u>\$ 8,401,982</u>

Interfund transfer balances for the primary government at December 31, 2010 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	\$ 1,324,756	\$ 700,695
Police District Fund	-	-
Town Outside Village Fund	182,004	12,100
Highway Fund	359,317	-
Public Safety Communications	65,544	-
Capital Projects Fund	1,172,502	336,604
Community Preservation Fund	-	862,200
Non-Major Governmental Funds	511,873	2,132,130
Major Business-Type Funds:		
Beaches and Marinas	268,673	-
Waste Management	-	-
Non-Major Business-Type Fund	<u>159,060</u>	<u>-</u>
	<u>\$ 4,043,729</u>	<u>\$ 4,043,729</u>

7. CAPITAL ASSETS

Governmental funds capital asset balances and activity for the year ended December 31, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 475,217,109	\$ 8,278,632	\$ (3,278,174)	\$ 480,217,567
Total	<u>\$ 475,217,109</u>	<u>\$ 8,278,632</u>	<u>\$ (3,278,174)</u>	<u>480,217,567</u>

Depreciable capital assets:

Buildings	\$ 40,491,230	\$ 174,303	\$ (3,034,003)	\$ 37,631,530
Improvements other than buildings	14,284,437	220,523	4,718	14,509,678
Machinery and equipment	23,721,971	1,540,960	-	25,262,931
Infrastructure -				
Bridges	1,052,045	164,851	-	1,216,896
Landfill	9,412,515	-	-	9,412,515
Roads, curbs and sidewalks	340,586,325	4,726,957	-	345,313,282
Lighting system	1,349,791	-	-	1,349,791
Bulkheads, piers and boardwalks	9,346,204	8,332	-	9,354,536
Water and sewer mains	9,279,178	970,039	-	10,249,217
Total depreciable capital assets	\$ 449,523,696	\$ 7,805,965	\$ (3,029,285)	454,300,376

Less accumulated depreciation:

Buildings	\$ 7,571,633	\$ 742,774	\$ (49,262)	8,265,145
Improvements other than buildings	5,645,360	530,359	4,718	6,180,437
Machinery and equipment	14,710,703	1,893,089	-	16,603,792
Infrastructure -				
Bridges	158,866	25,335	-	184,201
Landfill	4,650,113	311,751	-	4,961,864
Roads, curbs and sidewalks	160,469,044	13,426,735	-	173,895,779
Lighting system	1,268,166	25,588	-	1,293,754
Bulkheads, piers and boardwalks	4,629,298	256,435	-	4,885,733
Water and sewer mains	2,938,837	158,545	-	3,097,382
Total accumulated depreciation	\$ 202,042,020	\$ 17,370,611	\$ (44,544)	219,368,087

Total depreciable capital assets, net 234,932,289

Total capital assets, net \$ 715,149,856

Depreciation expense was charged to governmental functions as follows:

General governmental support	\$ 1,257,854
Public safety	159,298
Transportation	14,408,143
Economic assistance and opportunity	64,989
Culture and recreation	323,895
Home and community services	1,156,432
Total governmental activities depreciation expense	\$ 17,370,611

Enterprise Funds capital asset balances and activity for the year ended December 31, 2010 were as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	\$ 11,287,063	\$ -	\$ -	\$ 11,287,063
Total	\$ 11,287,063	\$ -	\$ -	11,287,063
Depreciable capital assets:				
Buildings	\$ 4,520,379	\$ 127,055	\$ (225,001)	4,422,433
Improvements other than buildings	8,577,631	137,242	(4,718)	8,710,155
Machinery and equipment	2,720,186	126,835	(452,605)	2,394,416
Total depreciable capital assets	\$ 15,818,196	\$ 391,132	\$ (682,324)	15,527,004

Less accumulated depreciation:				
Buildings	\$ 934,015	\$ 86,352	\$ (58,500)	\$ 961,867
Improvements other than buildings	810,200	427,908	(4,718)	1,233,390
Machinery and equipment	<u>1,705,121</u>	<u>184,175</u>	<u>(309,685)</u>	<u>1,579,611</u>
Total accumulated depreciation	<u>\$ 3,449,336</u>	<u>\$ 698,435</u>	<u>\$ (372,903)</u>	<u>3,774,868</u>
Total depreciable capital assets, net				<u>11,752,136</u>
Total capital assets, net				<u>\$ 23,039,199</u>

Depreciation expense was charged to enterprise functions as follows:

Waste management	\$ 399,958
Beaches and marinas	285,586
Golf course	<u>12,891</u>
Total enterprise funds depreciation expense	<u>\$ 698,435</u>

Capital asset balances for the governmental activities and the enterprise funds as of January 1, 2010 have been restated to reflect corrections of certain balances (see Note 18).

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, 2010, 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, 2010 were as follows:

	Beginning Balance	Additions	Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	\$ 620,500	\$ 63,200	\$ -	\$ 683,700
Construction-in-progress	<u>-</u>	<u>27,116</u>	<u>-</u>	<u>27,116</u>
Total	<u>\$ 620,500</u>	<u>\$ 90,316</u>	<u>\$ -</u>	<u>710,816</u>
Depreciable capital assets:				
Buildings	\$ 2,435,796	\$ 66,400	\$ -	2,502,196
Site improvements	248,786	-	(248,786)	-
Equipment	52,615	111,251	-	163,866
Building improvements	<u>21,093</u>	<u>-</u>	<u>248,786</u>	<u>269,879</u>
Total depreciable capital assets	<u>\$ 2,758,290</u>	<u>\$ 177,651</u>	<u>\$ -</u>	<u>2,935,941</u>
Less accumulated depreciation:				
Buildings	\$ 268,612	\$ 62,818	\$ -	331,430
Site improvements	2,694	-	(2,694)	-
Equipment	15,175	21,197	-	36,372
Building improvements	<u>-</u>	<u>16,498</u>	<u>2,694</u>	<u>19,192</u>
Total accumulated depreciation	<u>\$ 286,481</u>	<u>\$ 100,513</u>	<u>\$ -</u>	<u>386,994</u>
Total depreciable capital assets, net				<u>2,548,947</u>
Total capital assets, net				<u>\$ 3,259,763</u>
Depreciation expense was charged as follows:				
Home and community services				<u>\$ 100,513</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. This BAN bears interest at .85%, per annum, payable on July 15, 2011.

A summary of changes in short-term debt for the Town for the year ended December 31, 2010 is as follows:

	Beginning Balance	Increases	Reductions	Ending Balance
Bond anticipation notes	\$ 24,010,589	\$ 7,072,200	\$ 24,010,589	\$ 7,072,200

9. LONG-TERM DEBT OBLIGATIONS

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

	Beginning Balance	Increases	Reductions	Ending Balance	Amounts Due Within One Year	Non-Current Liabilities
Governmental activities:						
General obligation serial bonds	\$ 118,299,000	\$ 29,613,762	\$ (21,513,000)	\$ 126,399,762	\$ 10,338,293	\$ 116,061,469
Plus premiums on issuance	127,076	695,000	(17,009)	805,067	86,509	718,558
Total general obligation bonds	118,426,076	30,308,762	(21,530,009)	127,204,829	10,424,802	116,780,027
Special assessment bonds with governmental commitment	314,900	161,238	(229,500)	246,638	44,607	202,031
Due to Employees' Retirement System	5,486	164,652	(5,486)	164,652	13,089	151,563
Compensated absences	9,292,188	693,723	-	9,985,911	479,059	9,506,852
Judgments and claims payable	1,313,626	731,352	(236,478)	1,808,500	-	1,808,500
Other post-employment benefits	17,874,248	9,867,817	-	27,742,065	-	27,742,065
Estimated liability for landfill closure and post-closure care costs	3,904,950	127,936	(216,896)	3,815,990	204,251	3,611,739
Total governmental activities	\$ 151,131,474	\$ 42,055,480	\$ (22,218,369)	\$ 170,968,585	\$ 11,165,808	\$ 159,802,777
Business-type activities:						
General obligation serial bonds	\$ 6,671,100	\$ 2,425,000	\$ (522,500)	\$ 8,573,600	\$ 634,100	\$ 7,939,500
Compensated absences	299,453	-	(145,894)	153,559	-	153,559
Total business-type activities	\$ 6,970,553	\$ 2,425,000	\$ (668,394)	\$ 8,727,159	\$ 634,100	\$ 8,093,059
Discretely presented component unit:						
Mortgages payable	\$ 3,000,746	-	\$ (35,456)	\$ 2,965,290	\$ 37,598	\$ 2,927,692
General obligation bonds	-	110,000	-	110,000	-	110,000
Total discretely presented component unit	\$ 3,000,746	\$ 110,000	\$ (35,456)	\$ 3,075,290	\$ 37,598	\$ 3,037,692

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 1.031% to 6.450% and have maturity dates in 2011 through 2030.

On May 1, 2010, the Town issued \$9,430,000 in serial bonds with an interest rate of 2.00% increasing to 5.00% to advance refund its outstanding 1997 Serial Bonds of \$875,000, 1998 Serial Bonds of \$750,000, 1999 Serial Bonds of \$650,000, 2000 Serial Bonds of \$1,250,000, 2001 Serial Bonds of \$1,425,000 and 2002 Serial Bonds of \$5,175,000. The net proceeds of which \$10,392,961 (after payment of \$107,608 in underwriting fees, insurance and other issuance costs) was used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the Town's financial statements. The bonds were called on September 29, 2010. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$977,698.

The following is a summary of the maturity of long-term indebtedness:

Primary governmental activities

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 2010
Various purpose serial bonds	12/15/1991	6/15/2011	6.450%	\$ 150,000
NYS EFC bonds	6/1/1995	5/15/2015	3.700% - 5.550%	200,000
NYS EFC bonds	7/1/1997	6/15/2017	3.750% - 5.350%	245,000
Public improvement serial bonds	10/15/2002	10/15/2022	3.125% - 4.500%	700,000
NYS EFC Bonds	3/13/2003	4/15/2020	1.031% - 4.551%	515,000
Public improvement serial bonds	11/1/2003	10/1/2023	2.750% - 4.500%	6,220,400
NYS EFC Bonds	3/4/2004	11/15/2020	1.056% - 4.235%	9,250,000
Open space preservation serial bonds	4/15/2004	4/15/2020	3.750% - 4.375%	12,750,000
Public improvement serial bonds	11/1/2004	11/1/2024	3.125% - 4.125%	11,711,900
Refunding serial bonds	2/24/2005	5/1/2016	3.000% - 5.000%	2,385,000
Public improvement serial bonds	2/1/2006	12/1/2020	3.250% - 4.000%	4,090,100
Public improvement serial bonds	9/15/2007	9/15/2022	3.875% - 4.125%	10,068,600
Open space preservation serial bonds	1/15/2009	1/15/2030	3.000% - 4.375%	19,250,000
Open space preservation serial bonds	4/1/2009	4/1/2030	3.000% - 4.500%	19,250,000
Refunding serial bonds	5/1/2010	5/1/2022	2.000% - 5.000%	9,268,762
Public improvement serial bonds	8/12/2010	8/12/2029	2.000% - 3.250%	20,345,000
				<u>\$ 126,399,762</u>

Primary business-type activities

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 2010
Public improvement serial bonds	11/1/2003	10/1/2023	2.750% - 4.500%	\$ 554,600
Public improvement serial bonds	11/1/2004	11/1/2024	3.125% - 4.125%	138,100
Public improvement serial bonds	2/1/2006	12/1/2020	3.250% - 4.000%	2,224,500
Public improvement serial bonds	9/15/2007	9/15/2022	3.875% - 4.375%	3,231,400
Public improvement serial bonds	8/12/2010	8/12/2029	2.000% - 3.250%	2,425,000
				<u>\$ 8,573,600</u>

Special assessment bonds

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 2010
Public improvement serial bonds	2/1/2006	12/1/2020	3.250% - 4.000%	\$ 85,400
Refunding serial bonds	5/1/2010	5/1/2020	2.000% - 5.000%	161,238
				<u>\$ 246,638</u>

The following is a summary of maturing debt service requirements:

Primary governmental activities

Year ended December 31,	Principal	Interest	Total
2011	\$ 10,338,293	\$ 4,685,546	\$ 15,023,839
2012	10,357,880	4,351,355	14,709,235
2013	9,734,200	3,969,020	13,703,220
2014	10,024,695	3,623,078	13,647,773
2015	9,850,801	3,251,663	13,102,464
2016-2020	44,086,093	10,951,249	55,037,342
2021-2025	19,302,800	4,485,469	23,788,269
2026-2030	12,705,000	1,433,622	14,138,622
	<u>\$ 126,399,762</u>	<u>\$ 36,751,002</u>	<u>\$ 163,150,764</u>

Primary business-type activities:

Year ended December 31,	Principal	Interest	Total
2011	\$ 634,100	\$ 288,598	\$ 922,698
2012	649,300	257,889	907,189
2013	666,300	235,288	901,588
2014	658,700	207,781	866,481
2015	666,000	187,407	853,407
2016-2020	3,350,000	586,050	3,936,050
2021-2025	1,354,200	127,762	1,481,962
2026-2029	595,000	38,128	633,128
	<u>\$ 8,573,600</u>	<u>\$ 1,928,903</u>	<u>\$ 10,502,503</u>

Special assessment bonds – The Town also has \$246,638 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 2.00% to 5.00% and are payable over the next 10 years.

The following is a summary of maturing debt service requirements:

Year ended December 31,	Principal	Interest	Total
2011	\$ 44,607	\$ 21,232	\$ 65,839
2012	32,820	17,770	50,590
2013	44,500	15,028	59,528
2014	31,605	9,828	41,433
2015	29,199	7,439	36,638
2016-2020	63,907	9,261	73,168
	<u>\$ 246,638</u>	<u>\$ 80,558</u>	<u>\$ 327,196</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 an 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, 2010 is \$1,665,238.

The Housing Authority assumed and adjusted the existing mortgage through the United States Department of Agriculture and Rural Development in the amount of \$1,332,038 which is secured by an 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, 2010 is \$1,300,052.

The following is a summary of maturing debt service requirements:

Year ended December 31,	Principal	Interest	Total
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	47,543	115,868	163,411
2016-2020	284,465	532,590	817,055
2021-2025	381,535	435,520	817,055
2026-2030	511,803	305,252	817,055
2031-2035	1,575,365	128,260	1,703,625
	<u>\$ 2,965,290</u>	<u>\$ 2,006,555</u>	<u>\$ 4,971,845</u>

Bond payable – In June 2010, the Housing Authority issued \$110,000 of general obligation bonds at an interest rate of 3.55%. The proceeds will be used to reconstruct, furnish and equip a single family low income rental housing project located at 203 Ludlum Avenue in the Town of Southampton. The outstanding balance as of December 31, 2010 is \$110,000.

The following is a summary of maturing debt service requirements:

Year ended December 31,	Principal	Interest	Total
2012	\$ 6,500	\$ 3,905	\$ 10,405
2013	6,500	3,674	10,174
2014	10,000	3,444	13,444
2015	10,000	3,089	13,089
2016	10,000	2,734	12,734
2017-2020	67,000	6,213	73,213
	<u>\$ 110,000</u>	<u>\$ 23,059</u>	<u>\$ 133,059</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 for the employee, except for those who joined the Systems after July 27, 1976, who contribute 3% of their salary and after ten years are no longer required to contribute. Prior to October 1, 2000, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. Effective January 1, 2010, new employees joining the System will contribute 3.5% of their salary and will contribute for their entire career. 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 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 Contribution	Incentive/Rate Amortization	Reconciliation and Miscellaneous Adjustments	Annual Required Contribution	Reconciliation and Miscellaneous Adjustments	
2010	\$ 2,743,049	\$ 164,654	\$(282,667)	\$ 1,931,364	\$(191,141)	4,365,259
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

The State Legislature allows local governments to amortize certain contribution costs. The cost of the amortization is billed and paid over a ten year period and includes an interest rate of 5.00%. As of December 31, 2010 the total principal payments payable by the Town are as follows:

Year ended December 31,	
2011	\$ 13,089
2012	13,745
2013	14,432
2014	15,154
2015	15,912
2016-2020	<u>92,320</u>
	<u>\$ 164,652</u>

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 completes 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 (As of December 31, 2009)

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 (For the year ended December 31, 2009)

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		<u>(2,773)</u>	<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		<u>(2,893)</u>	<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)	79,346
			<u>235,835</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, 226 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, 2010, the Town recognized \$2,660,353 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarial valuation report as of January 1, 2010 which indicates that the total liability for other post-employment benefits is \$149,490,000 (\$61,279,000 related to retirees and \$88,211,000 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, 2010
Annual required contribution	\$ 12,409,000
Interest on net OPEB obligation	714,970
Adjustment to annual required contribution	<u>(595,800)</u>
Annual OPEB cost	12,528,170
Contributions made	<u>2,660,353</u>
Increase in net OPEB obligation	9,867,817
Net OPEB obligation, beginning of year	<u>17,874,248</u>
Net OPEB obligation, end of year	<u>\$ 27,742,065</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%	\$17,874,248
12/31/10	\$12,528,170	21.2%	\$27,742,065

Funded status and funding progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$149,490,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$149,490,000. 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, 2010 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 13.7% initially, reduced by decrements to an ultimate rate of 4.7% after 70 years. 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, 2010 was 27 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, 2010 the value of the accumulated vacation time and sick leave for governmental activities and business-type activities was \$10,139,470.

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>2010</u>	<u>2009</u>
Unpaid claims and claim adjustment expenditures at the beginning of the year	\$ <u>1,313,626</u>	\$ <u>563,852</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>731,352</u>	<u>953,298</u>
Total incurred claims and adjustment expenditures	<u>2,044,978</u>	<u>1,517,150</u>
Payments:		
Claims and claim adjustment expenditures attributable to insured events of the current and prior years	<u>236,478</u>	<u>203,524</u>
Total payments	<u>236,478</u>	<u>203,524</u>
Total unpaid claims and claim adjustment expenditures at the end of the year	<u>\$ 1,808,500</u>	<u>\$ 1,313,626</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, 2010, the Town has recorded a liability of \$3,815,990 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, 2010.

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, 2010 totaled approximately \$300,000.

Future minimum operating lease commitments are as follows:

<u>Year ended December 31,</u>	
2011	\$ 310,500
2012	310,500
2013	336,375
2014	349,313
2015	349,313
2016-2020	1,863,000
2021-2023	<u>916,945</u>
	<u>\$ 4,435,946</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 generally 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, 2010, and for the four previous years, the Town has the following 2% transfer tax revenue and expenses associated with environmental or historic preservation purposes:

<u>Year ended December 31,</u>	<u>Revenues</u>	<u>Expenditures</u>
2010	\$ 34,225,797	\$ 20,334,329
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

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, 2010:

Condensed Statement of Net Assets:

	<u>Assets and Other Debits</u>			<u>Liabilities</u>		
	<u>Current Assets</u>	<u>Capital Assets Net of Depreciation</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Bonds and Other Long-Term Liabilities</u>	<u>Net Assets</u>
Town of Southampton Housing Authority	\$ 521,563	\$3,259,763	\$ 23,792	\$ 108,636	\$3,037,692	\$ 658,790

Condensed Statement of Activities:

	<u>Program</u>			<u>Other</u>	<u>Change</u>	<u>Net Assets</u>
	<u>Expenses</u>	<u>Revenue</u>	<u>Net Revenues</u>			
Town of Southampton Housing Authority	\$ 611,559	\$ 507,836	\$ (103,723)	\$ 240,147	\$ 136,424	\$ 658,790

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 when required, which will be for the December 31, 2011 financial statements.

18. PRIOR PERIOD ADJUSTMENTS

Governmental funds fund equity, business-type activities net assets and Town-wide net assets have been restated as of January 1, 2010, to give effect to the following:

	<u>Governmental Funds Fund Equity</u>	<u>Business-type Activities Net Assets</u>	<u>Town-wide Net Assets</u>
Balance as of January 1, 2010, as reported	\$ 37,427,182	\$ 13,445,277	\$ 610,634,276
Add (deduct): restatement related to subdivision park fees from Building and Zoning Fund to Special Fund	1,777,975	(1,777,975)	1,777,975
Add (deduct): reclassification of Building and Zoning Fund into Town Outside Village Fund	1,028,997	(1,028,997)	1,028,997
Add: over-accrued retainage payables	14,526	-	14,526
Deduct: amount due to Town of East Hampton for their share of income relating to golf course	-	(277,506)	-
Deduct: write-off of costs associated with Aquatic Center	-	-	(2,984,741)
Deduct: correction of land and building valuation for Poxabogue Golf Course	-	(166,500)	(3,278,174)
Add: recognition of prepaid expenditures incurred in previous fiscal year in Special Grant Fund	293,023	-	293,023
Add (deduct): write-off of long, outstanding unsupported liabilities (assets)	123,801	(3,152)	-
Add: correction to prior year OPEB obligation, accrued interest and bonds payable	-	49,680	262,339
Balance as of January 1, 2010, as restated	<u>\$ 40,665,504</u>	<u>\$ 10,240,827</u>	<u>\$ 607,748,221</u>

The effect of the restatement on the change in net assets for fiscal 2009 is not reasonably determinable.

19. SUBSEQUENT EVENTS

The Town has evaluated subsequent events occurring after the Statement of Net Assets through the date of June 24, 2011, 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 April 2011, the Town issued \$14,160,000 of Serial Bonds maturing on April 15, 2020. The proceeds, together with \$1,497,200 in available funds, were used to redeem the Town's \$7,072,200 outstanding bond anticipation notes and provide original funds in the amount of \$8,585,000.

TOWN OF SOUTHAMPTON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget Amounts		Actual	Year-end Encumbrances	Variance Favorable (Unfavorable) To Revised Budget
	Original Budget	Revised Budget			
REVENUES					
Real property taxes	\$ 23,210,660	\$ 22,990,509	\$ 22,991,545		\$ 1,036
Other real property tax items	115,000	115,000	188,612		73,612
Non-property tax items	964,425	964,425	1,350,747		386,322
Special assessments	-	-	62,559		62,559
Departmental income	775,725	775,725	798,100		22,375
Intergovernmental charges	10,000	25,000	45,063		20,063
Use of money and property	300,000	300,000	79,437		(220,563)
Licenses and permits	181,900	181,900	251,435		69,535
Fines and forfeitures	1,533,000	1,533,000	1,835,927		302,927
Miscellaneous local sources	472,230	482,066	920,335		438,269
State aid	6,353,900	6,408,305	5,936,053		(472,252)
Federal aid	675,000	741,000	457,490		(283,510)
Total revenues	34,591,840	34,516,930	34,917,303		400,373
EXPENDITURES					
General governmental support	14,242,921	15,160,329	13,728,555	\$ 37,871	1,393,903
Public safety	2,086,879	2,230,616	2,099,468	-	131,148
Economic assistance and opportunity	2,244,888	2,200,043	2,106,919	-	93,124
Culture and recreation	3,778,087	3,881,747	3,822,787	-	58,960
Home and community services	691,816	725,682	534,566	-	191,116
Employee benefits	6,125,469	6,293,165	6,157,175	-	135,990
Debt service -					
Principal	3,552,500	3,453,700	3,510,300	-	(56,600)
Interest	1,159,280	1,128,783	1,142,195	-	(13,412)
Total expenditures	33,881,840	35,074,065	33,101,965	37,871	1,934,229
Excess (deficiency) of revenues over (under) expenditures	710,000	(557,135)	1,815,338	(37,871)	2,334,602
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt	-	-	60,000	-	60,000
Proceeds on refunding debt	-	-	9,430,000	-	9,430,000
Premium on debt issuance	-	-	1,070,569	-	1,070,569
Payment to refunded debt escrow agent	-	-	(10,500,569)	-	(10,500,569)
Transfers in	100,000	157,087	1,324,756	-	1,167,669
Transfers out	(810,000)	(496,336)	(700,695)	-	(204,359)
Total other financing sources (uses)	(710,000)	(339,249)	684,061	-	1,023,310
Changes in fund equity	-	(896,384)	2,499,399	\$ (37,871)	\$ 3,357,912
Fund equity, beginning of year, as restated	11,506,284	11,506,284	11,506,284		
Fund equity, end of year	\$ 11,506,284	\$ 10,609,900	\$ 14,005,683		

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 - POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Year-end Encumbrances</u>	<u>Variance Favorable (Unfavorable) To Revised Budget</u>
	<u>Original Budget</u>	<u>Revised Budget</u>			
REVENUES					
Real property taxes	\$ 19,139,406	\$ 19,139,406	\$ 19,139,406		\$ -
Other real property tax items	60,000	60,000	133,171		73,171
Departmental income	136,000	136,000	182,601		46,601
Use of money and property	21,000	21,000	27,621		6,621
Licenses and permits	35,000	35,000	36,782		1,782
Sale of property and compensation for loss	20,000	2,000	22,388		20,388
Miscellaneous local sources	100,000	100,000	100,993		993
State aid	1,976,541	1,996,562	2,085,155		88,593
Federal aid	34,500	34,500	54,512		20,012
Total revenues	21,522,447	21,524,468	21,782,629		258,161
EXPENDITURES					
Public safety	15,778,830	15,301,870	14,490,428	\$ 4,657	806,785
Employee benefits	6,143,617	6,194,232	6,126,425	-	67,807
Debt service -					
Principal	-	68,400	68,400	-	-
Interest	-	6,500	6,498	-	2
Total expenditures	21,922,447	21,571,002	20,691,751	4,657	874,594
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(46,534)	1,090,878	(4,657)	1,132,755
OTHER FINANCING SOURCES					
Transfers in	400,000	-	-	-	-
Total other financing sources	400,000	-	-	-	-
Changes in fund equity (deficit)	-	(46,534)	1,090,878	\$ (4,657)	\$ 1,132,755
Fund deficit, beginning of year, as restated	(856,047)	(856,047)	(856,047)		
Fund equity (deficit), end of year	\$ (856,047)	\$ (902,581)	\$ 234,831		

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
BUDGET AND ACTUAL - TOWN OUTSIDE VILLAGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget Amounts		Actual	Year-end Encumbrances	Variance Favorable (Unfavorable) To Revised Budget
	Original Budget	Revised Budget			
REVENUES					
Real property taxes	\$ 1,591,649	\$ 1,591,649	\$ 1,591,649		\$ -
Other real property tax items	-	-	11,081		11,081
Departmental income	2,621,077	2,624,077	3,018,276		394,199
Use of money and property	-	-	8,436		8,436
Miscellaneous local sources	42,750	42,750	147,541		104,791
Federal aid	87,144	99,144	-		(99,144)
Total revenues	<u>4,342,620</u>	<u>4,357,620</u>	<u>4,776,983</u>		<u>419,363</u>
EXPENDITURES					
Public safety	37,000	123,345	123,345	\$ 24,769	(24,769)
Home and community services	3,248,598	3,389,429	2,934,241	-	455,188
Employee benefits	1,197,022	1,314,960	1,252,082	-	62,878
Debt service - Interest	-	1,458	1,458	-	-
Total expenditures	<u>4,482,620</u>	<u>4,829,192</u>	<u>4,311,126</u>	<u>24,769</u>	<u>493,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,000)</u>	<u>(471,572)</u>	<u>465,857</u>	<u>(24,769)</u>	<u>912,660</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	140,000	171,442	182,004	-	10,562
Transfers out	-	(12,100)	(12,100)	-	-
Total other financing sources (uses)	<u>140,000</u>	<u>159,342</u>	<u>169,904</u>	<u>-</u>	<u>10,562</u>
Changes in fund equity	-	(312,230)	635,761	<u>\$ (24,769)</u>	<u>\$ 923,222</u>
Fund equity, beginning of year, as restated	<u>582,777</u>	<u>582,777</u>	<u>582,777</u>		
Fund equity, end of year	<u>\$ 582,777</u>	<u>\$ 270,547</u>	<u>\$ 1,218,538</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
BUDGET AND ACTUAL - HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget Amounts		Actual	Year-end Encumbrances	Variance Favorable (Unfavorable) To Revised Budget
	Original Budget	Revised Budget			
REVENUES					
Real property taxes	\$ 10,210,657	\$ 10,210,657	\$ 10,210,657		\$ -
Other real property tax items	30,000	30,000	74,604		44,604
Intergovernmental charges	622,000	622,000	638,995		16,995
Use of money and property	15,000	15,000	14,812		(188)
Miscellaneous local sources	182,200	189,400	188,151		(1,249)
State aid	650,000	650,000	650,934		934
Federal aid	-	-	99,618		99,618
Total revenues	11,709,857	11,717,057	11,877,771		160,714
EXPENDITURES					
Transportation	7,779,100	7,628,130	7,025,017	\$ -	603,113
Employee benefits	2,012,067	2,461,607	2,393,320	-	68,287
Debt service -					
Principal	1,764,600	1,764,600	1,764,600	-	-
Interest	654,090	654,090	649,880	-	4,210
Total expenditures	12,209,857	12,508,427	11,832,817	-	675,610
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(791,370)	44,954	-	836,324
OTHER FINANCING SOURCES					
Transfers in	500,000	500,000	359,317	-	(140,683)
Total other financing sources	500,000	500,000	359,317	-	(140,683)
Changes in fund equity	-	(291,370)	404,271	\$ -	\$ 695,641
Fund equity, beginning of year, as restated	1,078,480	1,078,480	1,078,480		
Fund equity, end of year	\$ 1,078,480	\$ 787,110	\$ 1,482,751		

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, 2010

Town Justices

	Justice DeMayo	Justice Kooperstein	Justice Wilson	Justice Burke	Justice Scialoni	Bail Accounts	Special Accounts	Parking Accounts	Totals
Cash balance, beginning of year	\$ 230	\$ 43,882	\$ 56,074	\$ 32,452	\$ 51,385	\$ 337,479	\$ 8,174	\$ 27,728	\$ 557,404
Collections:									
Traffic, criminal fines, civil and surcharge	-	690,660	730,304	728,550	682,989	-	-	-	2,832,503
Parking fines	-	113,330	127,910	121,360	149,060	-	-	2,052	513,712
Bail	-	-	-	-	-	470,934	-	-	470,934
Miscellaneous	-	32	41	40	34	40,697	9,759	11	50,614
Total collections	-	804,022	858,255	849,950	832,083	511,631	9,759	2,063	3,867,763
Disbursements:									
Town of Southampton	-	778,492	856,761	826,310	829,792	-	-	-	3,291,355
Return of bail and other	-	-	-	-	-	466,881	-	-	466,881
Miscellaneous	-	-	40	-	-	-	2,262	3,071	5,373
Total disbursements	-	778,492	856,801	826,310	829,792	466,881	2,262	3,071	3,763,609
Cash balance, end of year	\$ 230	\$ 69,412	\$ 57,528	\$ 56,092	\$ 53,676	\$ 382,229	\$ 15,671	\$ 26,720	\$ 661,558

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, 2010

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, 2010

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, 2010

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	\$ -	\$ 136,667,000	\$ 136,667,000	0%	\$ 38,900,127	351.33%
01/01/09	-	145,399,000	145,399,000	0%	37,330,904	389.49%
01/01/10	-	149,490,000	149,490,000	0%	38,278,198	390.54%

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, 2010**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Section 8 Housing Vouchers Program	14.871	\$ 4,308,631
Passed - through Suffolk County Community Development Block Grant	14.218	67,756
Passed - through Suffolk County Community Development Block Grant ARRA Entitlement Grant	14.253	55,658
<u>U.S. Department of Health and Human Services</u>		
Passed - through Suffolk County Administration on Aging: Special Programs for the Aging - Title III Adult Day Care	93.052	7,500
<u>U.S. Department of Energy</u>		
Weatherization Assistance for Low-Income Persons - ARRA	81.042	80,000
<u>U.S. Department of Transportation</u>		
Passed - through Office of the New York State Comptroller Highway Planning and Construction (FEMA)	20.205	99,618
<u>U.S. Department of Justice</u>		
Passed - through Office of the New York State Comptroller Byrne Grant	16.738	10,000
Bulletproof Vest Partnership	16.607	9,840
<u>Federal Emergency Management</u>		
Passed - through Office of the New York State Comptroller Beach Parking	83.534	8,362
Bulkheads	83.534	1,525
<u>Aging Cluster</u>		
<u>U.S. Department of Health and Human Services</u>		
Passed - through Suffolk County Administration on Aging: Special Programs for the Aging - Title III Part C - Nutrition	93.045	399,421
Nutrition Services Incentive Program	93.053	50,569
<u>Highway Safety Cluster</u>		
<u>U.S. Department of Transportation</u>		
Passed - through Office of the New York State Comptroller "STEP" Unsafe Driving	20.600	14,083
Federal Stop DWI	20.605	30,589
TOTAL FEDERAL EXPENDITURES		\$ 5,143,552

TOWN OF SOUTHAMPTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2010, which collectively comprise the Town of Southampton's basic financial statements and have issued our report thereon dated June 24, 2011. 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.

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 June 24, 2011.

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
June 24, 2011

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.



Nawrocki Smith LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON 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 programs for the year ended December 31, 2010. The Town of Southampton's major federal programs are 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 programs 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, 2010.

Internal Control Over Compliance

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 to determine the 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 June 24, 2011.

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
June 24, 2011



TOWN OF SOUTHAMPTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 programs.
5. The auditors' report on compliance for the major federal award programs for the Town of Southampton expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The programs tested as a major program included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	<u>U.S. Department of Housing and Urban Development - Section 8 Housing Vouchers Program</u>
14.253	Community Development Block Grant ARRA Entitlement
81.042	<u>U.S. Department of Energy - Weatherization Assistance for Low-Income Persons - ARRA</u>

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, 2010

Findings - Financial Statement Audit

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.

Findings And Questioned Costs - Major Federal Award Programs Audit

None reported.

**TOWN OF SOUTHAMPTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	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	
ASSETS											
Cash and cash equivalents	\$ 1,132,878	\$ 6,127,446	\$ 739,080	\$ 9,468	\$ 379,264	\$ 81,403	\$ 1,570,007	\$ 232,086	\$ 84,496	\$ 139,673	\$ 10,495,801
Restricted cash	-	12,172	240,300	-	-	62,370	-	-	-	-	314,842
Accounts receivable, net	49,987	-	-	-	-	4,875	432,549	-	-	-	487,411
State and federal aid receivables	-	26,901	-	-	-	-	-	-	-	-	26,901
Due from fiduciary funds	-	5,885	-	-	-	-	-	-	-	-	5,885
Prepaid expenses	-	-	-	-	2,864	-	19,090	-	-	-	21,954
Total assets	\$ 1,182,865	\$ 6,172,404	\$ 979,380	\$ 9,468	\$ 382,128	\$ 148,648	\$ 2,021,646	\$ 232,086	\$ 84,496	\$ 139,673	\$ 11,352,794
LIABILITIES											
Accounts payable	\$ 38,239	\$ 901,159	\$ -	\$ 20,190	\$ 24,633	\$ -	\$ 114,978	\$ -	\$ 19,880	\$ 1,535	\$ 1,120,614
Accrued liabilities	16,450	-	6,574	-	-	-	2,086	-	-	-	25,110
Due to employees' retirement system	3,468	-	-	-	9,005	-	51,971	-	-	-	64,444
Due to fiduciary funds	18,905	-	-	113,413	350	-	1,640	-	-	-	134,308
Deferred revenues	49,987	295	-	11,170	7,392	1,414	14,175	36,937	-	7,853	129,223
Total liabilities	127,049	901,454	6,574	144,773	41,380	1,414	184,850	36,937	19,880	9,388	1,473,699
FUND EQUITY (DEFICIT)											
Fund balances - reserved:											
Encumbrances	-	-	-	-	-	-	948	-	-	-	948
Debt service	-	-	-	-	-	62,370	-	-	-	-	62,370
Special purpose	1,055,816	5,270,950	972,806	-	340,748	84,864	1,685,848	195,149	64,616	130,285	9,801,082
Fund balances - unreserved:											
Designated for subsequent year's expenditures	-	-	-	-	-	-	150,000	-	-	-	150,000
Undesignated	-	-	-	(135,305)	-	-	-	-	-	-	(135,305)
Total fund equity (deficit)	1,055,816	5,270,950	972,806	(135,305)	340,748	147,234	1,836,796	195,149	64,616	130,285	9,879,095
Total liabilities and fund equity (deficit)	\$ 1,182,865	\$ 6,172,404	\$ 979,380	\$ 9,468	\$ 382,128	\$ 148,648	\$ 2,021,646	\$ 232,086	\$ 84,496	\$ 139,673	\$ 11,352,794

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

TOWN OF SOUTHAMPTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY (DEFICIT) - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	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	
REVENUES											
Real property taxes	\$ -	\$ 20,000	\$ -	\$ 819,862	\$ 553,365	\$ 90,470	\$ 1,111,326	\$ 2,680,398	\$ -	\$ 890,824	\$ 6,166,245
Other real property tax items	-	-	-	2,761	3,367	390	30,895	71,392	-	5,514	114,319
Departmental income	-	-	520,024	-	-	-	2,183,257	-	-	-	2,703,281
Use of money and property	988	1,138	1,791	-	755	124	317,070	-	404	1,216	323,486
Sale of property and compensation for loss	-	-	240,300	-	-	-	-	-	-	-	240,300
Miscellaneous local sources	789	947,990	15,837	-	3,160	20,000	1,159,224	-	-	-	2,147,000
State aid	-	32,786	-	-	-	-	-	-	-	-	32,786
Federal aid	4,432,045	90,000	-	-	-	-	-	-	-	-	4,522,045
Total revenues	4,433,822	1,091,914	777,952	822,623	560,647	110,984	4,801,772	2,751,790	404	897,554	16,249,462
EXPENDITURES											
General governmental support	-	123,810	-	-	-	-	-	-	-	-	123,810
Public safety	-	-	-	822,126	-	-	-	-	-	-	822,126
Health	-	-	-	-	-	-	-	2,471,220	-	-	2,471,220
Transportation	-	-	-	-	366,725	52,301	-	-	-	-	419,026
Economic assistance and opportunity	-	455	-	-	-	-	-	-	-	-	455
Culture and recreation	-	198,745	-	-	-	-	-	-	19,880	334,410	553,035
Home and community services	4,038,126	40,662	387,847	-	-	-	2,301,289	-	-	-	6,767,924
Employee benefits	29,661	6,448	-	-	55,104	-	358,000	229,989	-	-	679,202
Debt service -											
Principal	-	-	-	-	46,300	25,900	483,900	17,800	-	65,300	639,200
Interest	-	-	-	-	21,350	6,465	232,981	9,358	-	31,755	301,909
Total expenditures	4,067,787	370,120	387,847	822,126	489,479	84,666	3,376,170	2,728,367	19,880	431,465	12,777,907
Excess (deficiency) of revenues over (under) expenditures	366,035	721,794	390,105	497	71,168	26,318	1,425,602	23,423	(19,476)	466,089	3,471,555
OTHER FINANCING SOURCES (USES)											
Interfund transfers in	-	443,357	-	-	-	62,370	6,146	-	-	-	511,873
Interfund transfers out	-	(1,732,130)	-	-	-	-	-	-	-	(400,000)	(2,132,130)
Total other financing sources (uses)	-	(1,288,773)	-	-	-	62,370	6,146	-	-	(400,000)	(1,620,257)
Changes in fund equity	366,035	(566,979)	390,105	497	71,168	88,688	1,431,748	23,423	(19,476)	66,089	1,851,298
Fund equity (deficit), beginning of year, as restated (see Note 18)	689,781	5,837,929	582,701	(135,802)	269,580	58,546	405,048	171,726	84,092	64,196	8,027,797
Fund equity (deficit), end of year	\$ 1,055,816	\$ 5,270,950	\$ 972,806	\$ (135,305)	\$ 340,748	\$ 147,234	\$ 1,836,796	\$ 195,149	\$ 64,616	\$ 130,285	\$ 9,879,095

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