

TOWN OF SOUTHAMPTON, MASSACHUSETTS

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2023



TOWN OF SOUTHAMPTON, MASSACHUSETTS

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Independent Auditors' Report

To the Select Board
Town of Southamptn, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southamptn, Massachusetts (the "Town"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Correction of Error

As discussed in Note 22 to the financial statements, the Town restated prior year amounts in the Water Enterprise Fund and Business-Type Activities to correct an error in recording unbilled revenues. Our report is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Greenfield, MA
September 15, 2025

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

As management of the Town of Southampton, Massachusetts (the "Town"), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, deferred outflows and inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water and transfer station activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity established fees and charges designed to recover its costs, including capital costs such as depreciation and debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water operations, which is considered to be a major fund, and transfer station operations, which is considered to be a nonmajor fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic Financial Statements

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

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$7,392,064, a change of \$1,375,720, and net position in business-type activities was \$11,059,361, a change of \$(98,339).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,809,094, a change of \$82,346 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,691,070, a change of \$689,446 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	Restated 2022	2023	Restated 2022
Assets						
Current and other assets	\$ 10,509,749	\$ 9,799,154	\$ 2,095,299	\$ 2,154,577	\$ 12,605,048	\$ 11,953,731
Capital assets	16,862,603	16,008,615	12,238,431	12,422,628	29,101,034	28,431,243
Total Assets	<u>27,372,352</u>	<u>25,807,769</u>	<u>14,333,730</u>	<u>14,577,205</u>	<u>41,706,082</u>	<u>40,384,974</u>
Deferred Outflows of Resources	<u>6,072,808</u>	<u>6,649,205</u>	<u>114,825</u>	<u>98,083</u>	<u>6,187,633</u>	<u>6,747,288</u>
Liabilities						
Other liabilities	4,193,654	3,585,787	37,454	42,512	4,231,108	3,628,299
Long-term liabilities	16,311,922	14,091,334	3,284,677	3,439,306	19,596,599	17,530,640
Total Liabilities	<u>20,505,576</u>	<u>17,677,121</u>	<u>3,322,131</u>	<u>3,481,818</u>	<u>23,827,707</u>	<u>21,158,939</u>
Deferred Inflows of Resources	<u>5,547,520</u>	<u>8,763,509</u>	<u>67,063</u>	<u>137,877</u>	<u>5,614,583</u>	<u>8,901,386</u>
Net Position						
Net investment in capital assets	13,998,733	13,784,353	10,172,803	10,176,255	24,171,536	23,960,608
Restricted	5,111,725	4,772,347	--	--	5,111,725	4,772,347
Unrestricted	(11,718,394)	(12,540,356)	886,558	879,338	(10,831,836)	(11,661,018)
Total Net Position	<u>\$ 7,392,064</u>	<u>\$ 6,016,344</u>	<u>\$ 11,059,361</u>	<u>\$ 11,055,593</u>	<u>\$ 18,451,425</u>	<u>\$ 17,071,937</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$18,451,425, a change of \$1,277,381 in comparison to the prior year.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The largest portion of net position, \$24,171,536, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$5,111,725, represents resources that are subject to external restrictions and internal designations on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(11,613,840), primarily resulting from unfunded pension and OPEB liabilities.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Summary of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	Restated	2023	Restated
				2022		2022
Revenues						
Program revenues:						
Charges for services	\$ 1,018,681	\$ 864,166	\$ 1,133,034	\$ 1,011,797	\$ 2,151,715	\$ 1,875,963
Operating grants and contributions	6,593,835	6,301,888	29,223	546,526	6,623,058	6,848,414
Capital grants and contributions	100,165	1,873,780	--	--	100,165	1,873,780
General revenues:						
Property taxes	14,300,957	13,792,587	--	--	14,300,957	13,792,587
Excises	1,104,618	1,058,552	--	--	1,104,618	1,058,552
Penalties, interest, and other taxes	329,161	275,745	--	--	329,161	275,745
Grants and contributions not restricted to specific programs	753,062	754,562	--	--	753,062	754,562
Investment income (loss)	129,187	(34,599)	3,000	1,807	132,187	(32,792)
Miscellaneous income	54,737	23,952	--	--	54,737	23,952
Total Revenues	<u>24,384,403</u>	<u>24,910,633</u>	<u>1,165,257</u>	<u>1,560,130</u>	<u>25,549,660</u>	<u>26,470,763</u>
Expenses						
General government	2,147,109	2,236,378	--	--	2,147,109	2,236,378
Public safety	3,383,989	2,582,099	--	--	3,383,989	2,582,099
Education	14,618,254	14,398,692	--	--	14,618,254	14,398,692
Public works	1,608,666	1,913,279	--	--	1,608,666	1,913,279
Health and human services	236,415	232,963	--	--	236,415	232,963
Culture and recreation	605,532	286,832	--	--	605,532	286,832
Interest on long-term debt	82,530	61,966	--	--	82,530	61,966
Intergovernmental	326,188	319,159	--	--	326,188	319,159
Water services	--	--	1,019,441	747,019	1,019,441	747,019
Transfer station services	--	--	244,155	202,471	244,155	202,471
Total Expenses	<u>23,008,683</u>	<u>22,031,368</u>	<u>1,263,596</u>	<u>949,490</u>	<u>24,272,279</u>	<u>22,980,858</u>
Change in Net Position	1,375,720	2,879,265	(98,339)	610,640	1,277,381	3,489,905
Net Position - Beginning of Year, as Restated	<u>6,016,344</u>	<u>3,137,079</u>	<u>11,157,700</u>	<u>10,444,953</u>	<u>17,174,044</u>	<u>13,582,032</u>
Net Position - End of Year	<u>\$ 7,392,064</u>	<u>\$ 6,016,344</u>	<u>\$ 11,059,361</u>	<u>\$ 11,055,593</u>	<u>\$ 18,451,425</u>	<u>\$ 17,071,937</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,375,720. Key elements of this change are as follows:

General Fund operations	\$	821,860
Major fund - Community Preservation Fund revenues in excess of expenditures		126,521
Major fund - Town Grant Fund expenditures and transfers out in excess of revenues and transfers in		89,032
Major fund - Capital Project Funds expenditures in excess of transfers in		(1,026,672)
Nonmajor Funds revenues in excess of expenditures		71,604
Depreciation expense in excess of principal debt service		(76,725)
Capital assets purchases		1,335,277
Change in net pension liability, net of deferrals		139,523
Change in net OPEB liability, net of deferrals		(116,211)
Other		11,511
	\$	<u>1,375,720</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(98,339). Key elements of this change are as follows:

Water operations	\$	(48,849)
Transfer station operations		<u>(49,490)</u>
	\$	<u>(98,339)</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,691,070, while total fund balance was \$2,376,358. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

General Fund	June 30, 2023	June 30, 2022	Change	% of General Fund Expenditures *
Unassigned Fund Balance	\$ 1,691,070	\$ 1,001,624	\$ 689,446	9.0%
Total Fund Balance	\$ 2,376,358	\$ 1,554,498	\$ 821,860	12.6%

* Expenditure amount used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$903,492.

The total fund balance of the General Fund changed by \$821,860 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:

Shortfall of tax collections compared to budget	\$ (23,419)
State and local revenues over budget	259,750
Budgetary appropriations unspent by departments	826,473
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(9,496)
Use of free cash as a funding source	(338,042)
Change in stabilization funds	<u>106,594</u>
	<u>\$ 821,860</u>

Included in the total fund balance of the General Fund are the Town's stabilization accounts with the following balances:

	June 30, 2023	June 30, 2022	Change
Ambulance stabilization fund	\$ 94,617	\$ 93,276	\$ 1,341
Capital stabilization fund	40,276	71,751	(31,475)
Operating stabilization fund	<u>548,320</u>	<u>411,592</u>	<u>136,728</u>
	<u>\$ 683,213</u>	<u>\$ 576,619</u>	<u>\$ 106,594</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Community Preservation Fund

The Community Preservation Fund balance changed by \$126,521 primarily from taxes and state contributions in excess of expenditures.

Town Grant Fund

The fund balance of the Town Grant Funds changed by \$89,033, primarily from timing differences between the receipt and disbursement of grants.

Capital Project Funds

The fund balance of the Capital Project Funds changed by \$(1,026,672), primarily from the issuance of short term to fund capital projects in the current year.

Nonmajor Governmental Funds

The fund balance of the Nonmajor Governmental Funds changed by \$71,604, primarily from timing differences between the receipt and disbursement of grants and other activities.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$847,314, a change of \$(39,557) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$171,383. Major reasons for these amendments include

- \$68,915 debt service appropriation funded by an ambulance transfer.
- \$102,468 transfer from ambulance receipts reserved for appropriation to supplement the ambulance operating budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$29,101,034 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Major capital asset events during the current fiscal year included the following:

Depreciation expense - governmental activities	\$	(481,289)
Depreciation expense - business-type activities		(184,197)
Buildings and improvement		
Education		26,200
Departmental vehicles and equipment		
General government		3,076
Public safety		18,000
Public works		513,199
Construction in progress		
East Street bridge repairs		566,452
Partial purchase of Pomeroy Avenue land		208,350

Additional information on capital assets can be found in the Notes to Basic Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total long-term debt outstanding was \$4,405,128, all of which was backed by the full faith and credit of the Town.

The Town's AA- rating from Standard & Poor's (S&P) Global Ratings for the Town's existing debt was withdrawn on July 20, 2021 due to lack of sufficient information.

Additional information on long-term debt can be found in the Notes to Basic Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Southampton's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Bradley Okscin
Town Accountant
Town of Southampton
210 College Highway
Southampton, MA 01073

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 5,816,124	\$ 1,891,145	\$ 7,707,269
Investments	3,407,282	--	3,407,282
Receivables, net of allowance for uncollectible:			
Property taxes	322,227	--	322,227
Excises	123,776	--	123,776
User fees	42,821	202,244	245,065
Intergovernmental	754,953	1,910	756,863
Other assets	9,881	--	9,881
Total Current Assets	<u>10,477,064</u>	<u>2,095,299</u>	<u>12,572,363</u>
Noncurrent Assets			
Loans receivable	32,685	--	32,685
Capital assets:			
Nondepreciable capital assets	12,319,333	548,500	12,867,833
Other capital assets, net of accumulated depreciation	4,543,270	11,689,931	16,233,201
Total Noncurrent Assets	<u>16,895,288</u>	<u>12,238,431</u>	<u>29,133,719</u>
Total Assets	<u>27,372,352</u>	<u>14,333,730</u>	<u>41,706,082</u>
Deferred Outflows of Resources			
Related to pension	1,763,195	71,555	1,834,750
Related to OPEB	4,309,613	43,270	4,352,883
Total Deferred Outflows of Resources	<u>6,072,808</u>	<u>114,825</u>	<u>6,187,633</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 423,617	\$ 20,040	\$ 443,657
Accrued payroll	150,424	--	150,424
Notes payable	2,115,465	--	2,115,465
Unearned revenue	1,379,239	--	1,379,239
Other liabilities	124,909	17,414	142,323
Current portion of long-term liabilities:			
Bonds and loans payable	334,500	177,174	511,674
Landfill liability	--	10,885	10,885
Total Current Liabilities	4,528,154	225,513	4,753,667
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	1,170,000	2,723,454	3,893,454
Net pension liability	6,227,679	252,737	6,480,416
Net OPEB liability	8,393,448	84,272	8,477,720
Landfill liability, net of current portion	--	21,770	21,770
Compensated absences liability	186,295	14,385	200,680
Total Noncurrent Liabilities	15,977,422	3,096,618	19,074,040
Total Liabilities	20,505,576	3,322,131	23,827,707
Deferred Inflows of Resources			
Related to pension	372,086	15,100	387,186
Related to OPEB	5,175,434	51,963	5,227,397
Total Deferred Inflows of Resources	5,547,520	67,063	5,614,583
Net Position			
Net investment in capital assets	13,998,733	10,172,803	24,171,536
Restricted for:			
Grants and other statutory restrictions	4,559,905	--	4,559,905
Permanent funds:			
Nonexpendable	365,317	--	365,317
Expendable	186,503	--	186,503
Unrestricted	(11,718,394)	886,558	(10,831,836)
Total Net Position	\$ 7,392,064	\$ 11,059,361	\$ 18,451,425

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 2,147,109	\$ 165,738	\$ 1,551,090	\$ --	\$ (430,281)	\$ --	\$ (430,281)
Public safety	3,383,989	770,573	29,227	--	(2,584,189)	--	(2,584,189)
Education	14,618,254	71,810	4,647,646	--	(9,898,798)	--	(9,898,798)
Public works	1,608,666	8,020	235,523	100,165	(1,264,958)	--	(1,264,958)
Health and human services	236,415	2,540	95,520	--	(138,355)	--	(138,355)
Culture and recreation	605,532	--	34,829	--	(570,703)	--	(570,703)
Interest on long-term debt	82,530	--	--	--	(82,530)	--	(82,530)
Intergovernmental	326,188	--	--	--	(326,188)	--	(326,188)
Total Governmental Activities	<u>23,008,683</u>	<u>1,018,681</u>	<u>6,593,835</u>	<u>100,165</u>	<u>(15,296,002)</u>	<u>--</u>	<u>(15,296,002)</u>
Business-Type Activities							
Water services	1,019,441	944,319	23,273	--	--	(51,849)	(51,849)
Transfer station services	244,155	188,715	5,950	--	--	(49,490)	(49,490)
Total Business-Type Activities	<u>1,263,596</u>	<u>1,133,034</u>	<u>29,223</u>	<u>--</u>	<u>--</u>	<u>(101,339)</u>	<u>(101,339)</u>
Total	<u>\$ 24,272,279</u>	<u>\$ 2,151,715</u>	<u>\$ 6,623,058</u>	<u>\$ 100,165</u>	<u>(15,296,002)</u>	<u>(101,339)</u>	<u>(15,397,341)</u>
			General Revenues				
			Property taxes		14,300,957	--	14,300,957
			Excises		1,104,618	--	1,104,618
			Penalties, interest, and other taxes		329,161	--	329,161
			Grants and contributions not restricted to specific programs		753,062	--	753,062
			Investment income		129,187	3,000	132,187
			Miscellaneous income		54,737	--	54,737
			Total General Revenues		<u>16,671,722</u>	<u>3,000</u>	<u>16,674,722</u>
			Change in Net Position		1,375,720	(98,339)	1,277,381
			Net Position - Beginning of year, as Restated		<u>6,016,344</u>	<u>11,157,700</u>	<u>17,174,044</u>
			Net Position - End of year		<u>\$ 7,392,064</u>	<u>\$ 11,059,361</u>	<u>\$ 18,451,425</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Community Preservation Fund	Town Grant Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 1,090,542	\$ 1,431,932	\$ 1,888,030	\$ 602,195	\$ 803,425	\$ 5,816,124
Investments	1,581,627	1,303,303	--	--	522,352	3,407,282
Receivables:						
Property taxes	144,073	4,948	--	--	--	149,021
Excises	123,776	--	--	--	--	123,776
User fees, net of allowance for uncollectible	--	--	42,821	--	--	42,821
Intergovernmental	--	--	713,832	--	41,120	754,952
Tax liens	173,206	--	--	--	--	173,206
Loans	--	--	32,685	--	--	32,685
Due from other funds	9,881	--	--	--	--	9,881
Total Assets	<u>\$ 3,123,105</u>	<u>\$ 2,740,183</u>	<u>\$ 2,677,368</u>	<u>\$ 602,195</u>	<u>\$ 1,366,897</u>	<u>\$ 10,509,748</u>
Liabilities						
Accounts payable	\$ 151,462	\$ --	\$ 257,451	\$ 8,600	\$ 6,104	\$ 423,617
Accrued payroll	148,863	--	--	--	1,561	150,424
Notes payable	--	--	--	2,115,465	--	2,115,465
Unearned revenue	--	--	1,379,239	--	--	1,379,239
Other liabilities	19,875	--	105,034	--	--	124,909
Total Liabilities	<u>320,200</u>	<u>--</u>	<u>1,741,724</u>	<u>2,124,065</u>	<u>7,665</u>	<u>4,193,654</u>
Deferred Inflows of Resources						
Unavailable revenues	426,547	4,948	75,506	--	--	507,001
Fund Balances						
Nonspendable	--	--	--	--	365,317	365,317
Restricted	--	2,735,235	894,817	89,507	1,035,901	4,755,460
Committed	134,893	--	--	192,863	--	327,756
Assigned	550,395	--	--	--	--	550,395
Unassigned	1,691,070	--	(34,679)	(1,804,240)	(41,986)	(189,835)
Total Fund Balances	<u>2,376,358</u>	<u>2,735,235</u>	<u>860,138</u>	<u>(1,521,870)</u>	<u>1,359,232</u>	<u>5,809,093</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,123,105</u>	<u>\$ 2,740,183</u>	<u>\$ 2,677,368</u>	<u>\$ 602,195</u>	<u>\$ 1,366,897</u>	<u>\$ 10,509,748</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2023

<i>Total Governmental Fund Balances</i>	\$ 5,809,093
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	16,862,603
Deferred outflows of resources related to pension to be recognized in pension expenses in future periods.	1,763,195
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	4,309,613
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	507,002
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and notes payable	(1,504,500)
Net pension liability	(6,227,679)
Net OPEB liability	(8,393,448)
Compensated absences liability	(186,295)
Deferred inflows of resources related to pension to be recognized in pension expenses in future periods.	(372,086)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(5,175,434)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 7,392,064</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Community Preservation Fund	Town Grant Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 13,983,793	\$ 302,263	\$ --	\$ --	\$ --	\$ 14,286,056
Excises	1,075,546	--	--	--	--	1,075,546
Penalties, interest, and other taxes	295,333	33,828	--	--	--	329,161
Charges for services	117,893	--	341,456	--	353,673	813,022
Intergovernmental	4,544,801	280,967	1,671,512	--	933,564	7,430,844
Licenses and permits	220,212	--	--	--	5,300	225,512
Fines and forfeitures	3,738	--	--	--	--	3,738
Investment income (loss)	112,139	5,161	--	--	11,887	129,187
Miscellaneous income	22,538	--	37,706	--	--	60,244
Total Revenues	<u>20,375,993</u>	<u>622,219</u>	<u>2,050,674</u>	<u>--</u>	<u>1,304,424</u>	<u>24,353,310</u>
Expenditures						
Current:						
General government	703,005	126,973	1,150,766	3,076	952	1,984,772
Public safety	2,200,726	--	96,721	19,844	312,735	2,630,026
Education	12,252,677	--	164,711	7,401	771,857	13,196,646
Public works	935,190	12,170	249,901	1,098,451	108,337	2,404,049
Health and human services	147,236	457	28,497	--	22,709	198,899
Culture and recreation	184,694	302,298	17,163	--	16,230	520,385
Employee benefits	2,522,906	--	--	--	--	2,522,906
Debt service:						
Principal	359,564	53,800	--	--	--	413,364
Interest	73,730	--	--	--	--	73,730
Intergovernmental	326,188	--	--	--	--	326,188
Total Expenditures	<u>19,705,916</u>	<u>495,698</u>	<u>1,707,759</u>	<u>1,128,772</u>	<u>1,232,820</u>	<u>24,270,965</u>
Excess (Deficiency) of Revenues over Expenditures	<u>670,077</u>	<u>126,521</u>	<u>342,915</u>	<u>(1,128,772)</u>	<u>71,604</u>	<u>82,345</u>
Other Financing Sources (Uses)						
Transfers in	288,883	--	35,000	102,100	--	425,983
Transfers out	(137,100)	--	(288,883)	--	--	(425,983)
Total Other Financing Sources (Uses)	<u>151,783</u>	<u>--</u>	<u>(253,883)</u>	<u>102,100</u>	<u>--</u>	<u>--</u>
Change in Fund Balance	821,860	126,521	89,032	(1,026,672)	71,604	82,345
Fund Balances, at Beginning of Year	<u>1,554,498</u>	<u>2,608,714</u>	<u>771,106</u>	<u>(495,198)</u>	<u>1,287,628</u>	<u>5,726,748</u>
Fund Balances, at End of Year	<u>\$ 2,376,358</u>	<u>\$ 2,735,235</u>	<u>\$ 860,138</u>	<u>\$ (1,521,870)</u>	<u>\$ 1,359,232</u>	<u>\$ 5,809,093</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 82,345

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:

Capital outlay	1,335,277
Depreciation	(481,289)

The issuance of long-term debt (e.g., bonds and long-term notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of general obligation bonds and notes	404,564
--	---------

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements.

20,383

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in net pension liability and related deferred outflows and inflows	(116,211)
Change in net OPEB liability and related deferred outflows and inflows	139,523
Change in compensated absences liability	<u>(8,872)</u>

Change in Net Position of Governmental Activities \$ 1,375,720

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Nonmajor Transfer Station Fund	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 1,891,145	\$ --	\$ 1,891,145
User fees receivable, net of allowance for uncollectible	202,244	--	202,244
Intergovernmental receivables	1,910	--	1,910
Total Current Assets	<u>2,095,299</u>	<u>--</u>	<u>2,095,299</u>
Noncurrent Assets			
Capital assets:			
Nondepreciable capital assets	368,900	179,600	548,500
Other capital assets, net of accumulated depreciation	11,685,348	4,583	11,689,931
Total Noncurrent Assets	<u>12,054,248</u>	<u>184,183</u>	<u>12,238,431</u>
Total Assets	<u>14,149,547</u>	<u>184,183</u>	<u>14,333,730</u>
Deferred Outflows of Resources			
Related to pension	59,629	11,926	71,555
Related to OPEB	43,270	--	43,270
Total Deferred Outflows of Resources	<u>102,899</u>	<u>11,926</u>	<u>114,825</u>
Liabilities			
Current Liabilities			
Accounts payable	8,112	11,928	20,040
Due to other funds	--	9,881	9,881
Current portion of long-term liabilities:			
Bonds payable	177,174	--	177,174
Landfill liability	--	10,885	10,885
Other liabilities	7,533	--	7,533
Total Current Liabilities	<u>192,819</u>	<u>32,694</u>	<u>225,513</u>
Noncurrent Liabilities			
Bonds payable, net of current portion	2,723,454	--	2,723,454
Net pension liability	210,614	42,123	252,737
Net OPEB liability	84,272	--	84,272
Landfill liability, net of current portion	--	21,770	21,770
Compensated absences liability	14,385	--	14,385
Total Noncurrent Liabilities	<u>3,032,725</u>	<u>63,893</u>	<u>3,096,618</u>
Total Liabilities	<u>3,225,544</u>	<u>96,587</u>	<u>3,322,131</u>
Deferred Inflows of Resources			
Related to pension	12,584	2,516	15,100
Related to OPEB	51,963	--	51,963
Total Deferred Inflows of Resources	<u>64,547</u>	<u>2,516</u>	<u>67,063</u>
Net Position			
Net investment in capital assets	9,988,620	184,183	10,172,803
Unrestricted	973,735	(87,177)	886,558
Total Net Position	<u>\$ 10,962,355</u>	<u>\$ 97,006</u>	<u>\$ 11,059,361</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Nonmajor Transfer Station Fund	Total
Operating Revenues			
Charges for services	\$ 880,171	\$ 188,715	\$ 1,068,886
Other	64,148	--	64,148
Total Operating Revenues	<u>944,319</u>	<u>188,715</u>	<u>1,133,034</u>
Operating Expenses			
Salaries and benefits	197,305	41,330	238,635
Other operating expenses	562,033	202,324	764,357
Depreciation	183,696	501	184,197
Total Operating Expenses	<u>943,034</u>	<u>244,155</u>	<u>1,187,189</u>
Operating Income (Loss)	<u>1,285</u>	<u>(55,440)</u>	<u>(54,155)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	23,273	5,950	29,223
Investment income	3,000	--	3,000
Interest expense	(76,407)	--	(76,407)
Total Nonoperating Revenues (Expenses), Net	<u>(50,134)</u>	<u>5,950</u>	<u>(44,184)</u>
Change in Net Position	(48,849)	(49,490)	(98,339)
Net Position, at Beginning of Year, as Restated	<u>11,011,204</u>	<u>146,496</u>	<u>11,157,700</u>
Net Position, at End of Year	<u>\$ 10,962,355</u>	<u>\$ 97,006</u>	<u>\$ 11,059,361</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Nonmajor Transfer Station Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 936,062	\$ 198,596	\$ 1,134,658
Payments to employees	(186,678)	(37,512)	(224,190)
Payments to vendors	(586,744)	(210,970)	(797,714)
Net Cash Provided by (Used in) Operating Activities	<u>162,640</u>	<u>(49,886)</u>	<u>112,754</u>
Cash Flows from Noncapital Financing Activities			
Intergovernmental receipts	23,273	5,950	29,223
Net Cash Provided by Noncapital Financing Activities	<u>23,273</u>	<u>5,950</u>	<u>29,223</u>
Cash Flows from Capital and Related Financing Activities			
Principal payments on bonds	(245,745)	--	(245,745)
Interest expense	(68,874)	--	(68,874)
Net Cash Used in Capital and Related Financing Activities	<u>(314,619)</u>	<u>--</u>	<u>(314,619)</u>
Cash Flows from Investing Activities			
Investment income	3,000	--	3,000
Net Cash Provided by Investing Activities	<u>3,000</u>	<u>--</u>	<u>3,000</u>
Net Change in Cash and Short-Term Investments	(125,706)	(43,936)	(169,642)
Cash and Short-term Investments, Beginning of Year	<u>2,016,851</u>	<u>43,936</u>	<u>2,060,787</u>
Cash and Short-term Investments, End of Year	<u>\$ 1,891,145</u>	<u>\$ --</u>	<u>\$ 1,891,145</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 1,285	\$ (55,440)	\$ (54,155)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	183,696	501	184,197
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	(8,257)	--	(8,257)
Deferred outflows - related to pension	(16,143)	(3,712)	(19,855)
Deferred outflows - related to OPEB	11,786	--	11,786
Accounts payable and accrued liabilities	(24,710)	2,238	(22,472)
Net pension liability	77,311	17,240	94,551
Net OPEB liability	6,765	--	6,765
Landfill liability	--	(10,885)	(10,885)
Due to other funds	--	9,881	9,881
Compensated absences liability	685	--	685
Deferred inflows - related to pension	(52,393)	(9,709)	(62,102)
Deferred inflows - related to OPEB	(17,385)	--	(17,385)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 162,640</u>	<u>\$ (49,886)</u>	<u>\$ 112,754</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

JUNE 30, 2023

	Other Post- Employment Benefits Trust Fund	Custodial Funds
Assets		
Cash and short-term investments	\$ 2,177	\$ 35,813
Investments in:		
Equity mutual funds	312,256	--
Fixed income mutual funds	122,956	--
Total investments	435,212	--
Other asset	--	--
Total Assets	437,389	35,813
Net Position		
Restricted for OPEB purposes	437,389	--
Restricted for individuals, organizations, and other governments	--	35,813
Total Net Position	\$ 437,389	\$ 35,813

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Other Post- Employment Benefits Trust Fund	Custodial Funds
Additions		
Contributions	\$ 283,723	\$ --
Investment income (loss), net	30,392	--
Fees collected for State of Massachusetts	--	10,763
Fees collected for others	--	15,811
Total Additions	314,115	26,574
Deductions		
Benefit payments to plan members and beneficiaries	220,219	--
Payments of fees to State of Massachusetts	--	10,788
Payments of fees to others	--	9,634
Total Deductions	220,219	20,422
Change in Net Position	93,896	6,152
Restricted Net Position		
Beginning of Year	343,493	29,661
End of Year	\$ 437,389	\$ 35,813

The accompanying notes are an integral part of these financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Southampton, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant accounting policies of the Town.

REPORTING ENTITY

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2023, it was determined that no entities met the component unit requirements of GASB Statement No. 14, *The Financial Reporting Entity* (as amended).

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is a fund authorized by Massachusetts General Laws, Chapter 44B, under which the Town receives state aid and assesses taxpayers a surcharge on real property. Within certain limits, the Town may appropriate funds from this account for various purposes that fall under the categories of open space, historic preservation, or community housing.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

- The *Town Grant Fund* is used to account for the Town's non-education related federal and state grants.
- The *Capital Project Funds* are used to account for various projects funded through borrowing or appropriation at town meeting.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds 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 this definition are reported as nonoperating revenues and expenses.

The only major proprietary (enterprise) fund reported by the Town is the *Water Fund*, which accounts for operations of the Town's water delivery system.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments and individuals.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposit, savings accounts, and money markets. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments."

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Certain investments measured using NAV for fair value are not subject to level classification. using NAV.

PROPERTY TAX LIMITATIONS

Legislation known as "Proposition 2 ½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	40
Building improvements	40
Water infrastructure	100
Vehicles and equipment	5 - 10

COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

FUND BALANCE/NET POSITION

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 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 existing governmental fund type definitions, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE/NET POSITION (CONTINUED)

Fund Balance (Continued)

- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes bonded projects, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority (Town Meeting). This fund balance classification includes stabilization funds restricted for specific purposes, and capital projects funded by appropriations.
- *Assigned* represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.
- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds. The General Fund is the only fund that can report a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public. Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

DEFICIT FUND EQUITY

Certain individual funds reflected deficit balances as of June 30, 2023. It is anticipated that the deficits in these funds will be eliminated through future departmental and grant revenues, bond proceeds, and transfers from other funds.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, and certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal investment policy related to credit risk.

As of June 30, 2023, none of the Town's bank balance of \$8,076,561 was exposed to custodial credit risk as uninsured and/or uncollateralized.

INVESTMENTS

The following is a summary of the Town's investments as of June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 69,211
Corporate bonds	1,233,365
Corporate equities	320,620
Federal agency securities	82,278
U.S. Treasury notes	<u>1,701,808</u>
	<u>\$ 3,407,282</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

INVESTMENTS (CONTINUED)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town's custodial credit risk policy is to review the financial institution's financial statements to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian.

As of June 30, 2023, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town's investment policies related to credit risk are to only purchase investment grade securities rated A or better. There is no limit on the amount of United States Treasury and United States Government Agency obligations.

As of June 30, 2023, the credit quality ratings, as rated by Moody's Investors Service, Inc. of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

Investment Type	Amount	Unrated	Rating as of Year End		
			Aaa	A1/A2/A3	Baa1/2
Certificates of deposit	\$ 69,211	\$ 69,211	\$ --	\$ --	\$ --
Corporate bonds	1,233,365	--	122,389	592,311	518,665
Federal agency securities	<u>82,278</u>	<u>--</u>	<u>82,278</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,384,854</u>	<u>\$ 69,211</u>	<u>\$ 204,667</u>	<u>\$ 592,311</u>	<u>\$ 518,665</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's investment policy manages concentration of credit risk by diversifying the investment portfolio.

As of June 30, 2023, the Town did not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town will manage interest rate risk by limiting and monitoring investment maturities.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at June 30, 2023:

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
Certificates of deposit	\$ 69,211	\$ 69,211	\$ --	\$ --
Corporate bonds	1,233,365	244,434	865,588	123,343
Federal agency securities	82,278	--	82,278	--
U.S. Treasury notes	<u>1,701,808</u>	<u>1,047,630</u>	<u>654,178</u>	<u>--</u>
	<u>\$ 3,086,662</u>	<u>\$ 1,361,275</u>	<u>\$ 1,602,044</u>	<u>\$ 123,343</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy for foreign currency risk.

At June 30, 2023, none of the Town's investments were exposed to foreign currency risk.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - TOWN (CONTINUED)

Fair Value (Continued)

The Town had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Certificates of deposit	\$ 69,211	\$ --	\$ 69,211	\$ --
Corporate bonds	1,233,365	--	1,233,365	--
Corporate equities	320,620	320,620	--	--
Federal agency securities	82,278	--	82,278	--
U.S. Treasury notes	<u>1,701,808</u>	<u>--</u>	<u>1,701,808</u>	<u>--</u>
	<u>\$ 3,407,282</u>	<u>\$ 320,620</u>	<u>\$ 3,086,662</u>	<u>\$ --</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Certificates of deposit (CDs) classified in Level 2 are valued using observable inputs other than quoted prices in active markets for identical assets. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and other inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the asset.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS - OPEB TRUST FUND

Generally, the OPEB Trust Fund’s investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2023:

Investment Type	Amount
Equity mutual funds	\$ 312,256
Fixed income mutual funds	122,956
	\$ 435,212

CUSTODIAL CREDIT RISK

As of June 30, 2023, none of the OPEB Trust Fund’s investments were subject to custodial credit risk exposure as all assets were held in the Town’s name.

CREDIT RISK

As of June 30, 2023, the credit quality ratings, as rated by Moody’s Investors Service, Inc. of the of the OPEB Trust Funds debt securities were as follows:

Investment Type	Amount	Rating as of Year End				
		Aaa/Aa2	A2	Baa2/Ba2	B2/Below B	Unrated
Fixed income mutual funds	\$ 122,956	\$ 60,318	\$ 14,966	\$ 29,984	\$ 7,583	\$ 10,105

CONCENTRATION OF CREDIT RISK

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

INTEREST RATE RISK

Information about the sensitivity of the fair values of the OPEB Trust Fund’s investments to market interest rate fluctuations was as follows:

Investment Type	Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Thereafter
Fixed income mutual funds	\$ 122,956	\$ 5,079	\$ 29,886	\$ 49,284	\$ 38,707

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - INVESTMENTS - OPEB TRUST FUND (CONTINUED)

FAIR VALUE

The OPEB Trust Fund had the following fair value measurements as of June 30, 2023:

Investment Type	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant observable input (Level 2)	Significant unobservable inputs (Level 3)
Equity mutual funds	\$ 312,256	\$ 312,256	\$ --	\$ --
Fixed income mutual funds	<u>122,956</u>	<u>122,956</u>	<u>--</u>	<u>--</u>
	<u>\$ 435,212</u>	<u>\$ 435,212</u>	<u>\$ --</u>	<u>\$ --</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

NOTE 5 - PROPERTY TAXES AND EXCISES RECEIVABLE

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statement, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - PROPERTY TAXES AND EXCISES RECEIVABLE (CONTINUED)

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$4,197.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivable at June 30, 2023 consisted of the following:

<u>Receivable Type</u>	<u>Amount</u>
Real estate and personal property taxes	\$ 144,073
Community preservation act	4,948
Tax liens	<u>173,206</u>
Total Property Taxes	<u>\$ 322,227</u>
Motor vehicle excise	\$ 122,850
Boat excise	<u>926</u>
Total Excises	<u>\$ 123,776</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - USER FEES RECEIVABLE

Receivables for user charges at June 30, 2023 consisted of the following:

Receivable Type	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Governmental Activities			
Ambulance	\$ 292,658	\$ (249,837)	\$ 42,821
Business-Type Activities			
Water charges	\$ 196,286	\$ --	\$ 196,286
Water liens/tax title	5,958	--	5,958
	<u>\$ 202,244</u>	<u>\$ --</u>	<u>\$ 202,244</u>

The Town has elected not to establish an allowance for uncollectible receivables for water receivables for the fiscal year ended June 30, 2023. This decision is based on historical collection rates and management's assessment is that the current receivables are fully collectible.

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Convert CIP	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 28,082,947	\$ 26,200	\$ --	\$ 28,109,147
Machinery, equipment, and furnishings	4,506,891	534,275	--	5,041,166
Infrastructure	67,699	--	--	67,699
Total capital assets, being depreciated	<u>32,657,537</u>	<u>560,475</u>	<u>--</u>	<u>33,218,012</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,497,245)	(226,635)	--	(24,723,880)
Machinery, equipment, and furnishings	(3,672,512)	(251,269)	--	(3,923,781)
Infrastructure	(23,696)	(3,385)	--	(27,081)
Total accumulated depreciation	<u>(28,193,453)</u>	<u>(481,289)</u>	<u>--</u>	<u>(28,674,742)</u>
Capital assets, being depreciated, net	<u>4,464,084</u>	<u>79,186</u>	<u>--</u>	<u>4,543,270</u>
Capital assets, not being depreciated:				
Land	9,563,082	--	--	9,563,082
Construction in progress (CIP)	1,981,449	774,802	--	2,756,251
Total capital assets, not being depreciated	<u>11,544,531</u>	<u>774,802</u>	<u>--</u>	<u>12,319,333</u>
Governmental activities capital assets, net	<u>\$ 16,008,615</u>	<u>\$ 853,988</u>	<u>\$ --</u>	<u>\$ 16,862,603</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Convert CIP	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,341,348	\$ --	\$ --	\$ 1,341,348
Machinery, equipment, and furnishings	134,663	--	--	134,663
Infrastructure	<u>14,198,933</u>	<u>--</u>	<u>877,606</u>	<u>15,076,539</u>
Total capital assets, being depreciated	<u>15,674,944</u>	<u>--</u>	<u>877,606</u>	<u>16,552,550</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,299,473)	(29,282)	--	(1,328,755)
Machinery, equipment, and furnishings	(100,846)	(4,226)	--	(105,072)
Infrastructure	<u>(3,278,103)</u>	<u>(150,689)</u>	<u>--</u>	<u>(3,428,792)</u>
Total accumulated depreciation	<u>(4,678,422)</u>	<u>(184,197)</u>	<u>--</u>	<u>(4,862,619)</u>
Capital assets, being depreciated, net	<u>10,996,522</u>	<u>(184,197)</u>	<u>877,606</u>	<u>11,689,931</u>
Capital assets, not being depreciated:				
Land	548,500	--	--	548,500
Construction in progress	<u>877,606</u>	<u>--</u>	<u>(877,606)</u>	<u>--</u>
Total capital assets, not being depreciated	<u>1,426,106</u>	<u>--</u>	<u>(877,606)</u>	<u>548,500</u>
Business-type activities capital assets, net	<u>\$ 12,422,628</u>	<u>\$ (184,197)</u>	<u>\$ --</u>	<u>\$ 12,238,431</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 129,229
Public safety	99,268
Education	70,604
Public works	140,426
Culture and recreation	<u>41,762</u>
	<u>\$ 481,289</u>
Business-Type Activities	
Water	\$ 183,696
Transfer station	<u>501</u>
	<u>\$ 184,197</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes.

NOTE 9 - NOTE PAYABLE

The Town had the following note outstanding at June 30, 2023:

Purpose	Interest Rate %	Date of Issue	Date of Maturity	Balance
East Street Bridge, Dump Truck, Loader	4.40%	06/16/23	06/14/24	<u>\$ 2,115,465</u>

The following summarizes activity related to the note payable during fiscal year 2023:

Purpose	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
East Street Bridge	\$ 1,600,000	\$ --	\$ (1,600,000)	\$ --
East Street Bridge, Dump Truck, Loader	-	<u>2,115,465</u>	-	<u>2,115,465</u>
	<u>\$ 1,600,000</u>	<u>\$ 2,115,465</u>	<u>\$ (1,600,000)</u>	<u>\$ 2,115,465</u>

NOTE 10 - UNEARNED REVENUE

Unearned revenue represents grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS, NOTES, AND LOANS

The Town issues general obligation bonds, loans from direct borrowings through the Massachusetts Clean Water Trust (MCWT), and long-term notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, long-term notes, and notes from direct borrowings have been issued for governmental funds. General obligation bonds and notes from direct borrowings have been issued for business-type activities. General obligation bonds, long-term notes, and loans from direct borrowings outstanding were as follows as of June 30, 2023:

Purpose	Original Issue Amount	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2023
Governmental Activities				
General Obligation Bonds				
Dump truck	\$ 250,000	05/15/28	2.0 - 3.0	\$ 150,000
Pomeroy meadow	440,000	05/15/30	2.0 - 3.0	305,000
Larrabee renovation	2,185,000	06/30/30	2.0 - 5.0	<u>755,000</u>
Total general obligation bonds				<u>1,210,000</u>
Loans - Direct Borrowings				
MCWT - Septic betterments	150,000	07/15/25	-	22,500
MCWT - Septic betterments	50,000	07/15/27	-	12,500
MCWT - Septic betterments	150,000	01/14/40	-	<u>127,500</u>
Total loans - direct borrowings				<u>162,500</u>
Long-Term Notes Payable				
Multipurpose loan *	404,489	05/20/24	1.0	<u>132,000</u>
Total long-term notes payable				<u>132,000</u>
Total Governmental Activities				<u>\$ 1,504,500</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS, NOTES, AND LOANS (CONTINUED)

Purpose	Original Issue Amount	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2023
Business-Type Activities				
General Obligation Bonds				
Water system expansion (refunded)	\$ 277,000	05/15/33	2.0 - 3.0	\$ 220,000
Water system expansion #3 (refunded)	458,000	05/15/36	2.0 - 3.0	385,000
Water system improvements	1,765,000	05/15/36	2.0 - 3.0	<u>835,000</u>
Total general obligation bonds				<u>1,440,000</u>
Loans - Direct Borrowings				
MCWT - DWP-18-12	1,590,719	07/15/41	2.0	<u>1,460,628</u>
Total loans - direct borrowings				<u>1,460,628</u>
Total Business-Type Activities				<u>\$ 2,900,628</u>

* This borrowing is a combination of several short-term notes intended to finance this purchase over a period of time. The loan is for a purchase of several vehicles, HVAC upgrades, and repairs. This is being accomplished by rolling over short-term notes for lesser amounts each year. The interest rate reported is the interest rate for the short-term note issued in fiscal year 2023 and due in fiscal year 2024.

FUTURE DEBT SERVICE

The annual payments to retire all general obligation bonds, long-term notes, and notes from direct borrowings outstanding as of June 30, 2023 are as follows:

Governmental	General Obligation Bonds and Notes			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 317,000	\$ 43,480	\$ 360,480	\$ 17,500	\$ --	\$ 17,500
2025	185,000	35,568	220,568	17,500	--	17,500
2026	185,000	28,918	213,918	17,500	--	17,500
2027	185,000	22,132	207,132	10,000	--	10,000
2028	180,000	16,094	196,094	10,000	--	10,000
2029 - 2033	290,000	15,434	305,434	37,500	--	37,500
2034 - 2038	--	--	--	37,500	--	37,500
Thereafter	--	--	--	15,000	--	15,000
	<u>\$ 1,342,000</u>	<u>\$ 161,626</u>	<u>\$ 1,503,626</u>	<u>\$ 162,500</u>	<u>\$ --</u>	<u>\$ 162,500</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - LONG-TERM DEBT (CONTINUED)

FUTURE DEBT SERVICE (CONTINUED)

Business-Type	General Obligation Bonds			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 110,000	\$ 32,100	\$ 142,100	\$ 67,174	\$ 29,213	\$ 96,387
2025	110,000	28,800	138,800	68,633	27,869	96,502
2026	110,000	25,500	135,500	70,125	26,496	96,621
2027	115,000	22,200	137,200	71,649	25,094	96,743
2028	115,000	19,900	134,900	73,206	23,661	96,867
2029 - 2033	595,000	64,400	659,400	390,600	95,696	486,296
2034 - 2038	285,000	11,400	296,400	434,933	54,901	489,834
Thereafter	--	--	--	284,308	11,454	295,762
	<u>\$ 1,440,000</u>	<u>\$ 204,300</u>	<u>\$ 1,644,300</u>	<u>\$ 1,460,628</u>	<u>\$ 294,384</u>	<u>\$ 1,755,012</u>

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Long-term notes payable	\$ 334,064	\$ --	\$ (202,064)	\$ 132,000	\$ (132,000)	\$ --
Bonds payable:						
General obligation bonds	1,395,000	--	(185,000)	1,210,000	(185,000)	1,025,000
Loans - direct borrowings	<u>180,000</u>	<u>--</u>	<u>(17,500)</u>	<u>162,500</u>	<u>(17,500)</u>	<u>145,000</u>
	1,575,000	--	(202,500)	1,372,500	(202,500)	1,170,000
Net pension liability	4,285,259	1,942,420	--	6,227,679	--	6,227,679
Net OPEB liability	7,719,588	673,860	--	8,393,448	--	8,393,448
Compensated absences liability	<u>177,423</u>	<u>8,872</u>	<u>--</u>	<u>186,295</u>	<u>--</u>	<u>186,295</u>
	<u>\$ 14,091,334</u>	<u>\$ 2,625,152</u>	<u>\$ (404,564)</u>	<u>\$ 16,311,922</u>	<u>\$ (334,500)</u>	<u>\$ 15,977,422</u>

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds payable:						
General obligation bonds	\$ 1,550,000	\$ --	\$ (110,000)	\$ 1,440,000	\$ (110,000)	\$ 1,330,000
Loans - direct borrowings	<u>1,596,373</u>	<u>--</u>	<u>(135,745)</u>	<u>1,460,628</u>	<u>(67,174)</u>	<u>1,393,454</u>
	3,146,373	--	(245,745)	2,900,628	(177,174)	2,723,454
Net pension liability	158,186	94,551	--	252,737	--	252,737
Net OPEB liability	77,507	6,765	--	84,272	--	84,272
Landfill liability	43,540	--	(10,885)	32,655	(10,885)	21,770
Compensated absences liability	<u>13,700</u>	<u>685</u>	<u>--</u>	<u>14,385</u>	<u>--</u>	<u>14,385</u>
	<u>\$ 3,439,306</u>	<u>\$ 102,001</u>	<u>\$ (256,630)</u>	<u>\$ 3,284,677</u>	<u>\$ (188,059)</u>	<u>\$ 3,096,618</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$32,655 reported as landfill postclosure care liability at June 30, 2023 represents the remaining estimated post closure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 13 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes. Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

NOTE 14 - TRANSFERS

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is a schedule of major interfund transfers:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 288,883	\$ 137,100
Town grant fund	35,000	288,883
Capital project funds	<u>102,100</u>	<u>--</u>
	<u>\$ 425,983</u>	<u>\$ 425,983</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 15 - GOVERNMENTAL FUNDS - BALANCES

The Town's fund balances at June 30, 2023 were comprised of the following:

	General Fund	Community Preservation Fund	Town Grant Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable						
permanent funds	\$ --	\$ --	\$ --	\$ --	\$ 365,317	\$ 365,317
Total Nonspendable	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>365,317</u>	<u>365,317</u>
Restricted						
Bonded projects	--	--	--	89,507	--	89,507
Special revenue funds	--	2,735,235	894,817	--	849,398	4,479,450
Expendable permanent funds	--	--	--	--	186,503	186,503
Total Restricted	<u>--</u>	<u>2,735,235</u>	<u>894,817</u>	<u>89,507</u>	<u>1,035,901</u>	<u>4,755,460</u>
Committed						
Stabilization funds for specific purposes *	134,893	--	--	--	--	134,893
Capital projects funded by appropriation	--	--	--	192,863	--	192,863
Total Committed	<u>134,893</u>	<u>--</u>	<u>--</u>	<u>192,863</u>	<u>--</u>	<u>327,756</u>
Assigned						
General government	29,966	--	--	--	--	29,966
Public safety	1,221	--	--	--	--	1,221
Education	37,665	--	--	--	--	37,665
Public works	5,262	--	--	--	--	5,262
Human services	--	--	--	--	--	--
OPEB Contribution	63,504	--	--	--	--	63,504
Stabilization contribution	412,777	--	--	--	--	412,777
Total Assigned	<u>550,395</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>550,395</u>
Unassigned						
General Fund	1,142,750	--	--	--	--	1,142,750
General stabilization fund *	548,320	--	--	--	--	548,320
Deficit funds	--	--	(34,679)	(1,804,240)	(41,986)	(1,880,905)
Total Unassigned	<u>1,691,070</u>	<u>--</u>	<u>(34,679)</u>	<u>(1,804,240)</u>	<u>(41,986)</u>	<u>(189,835)</u>
Total Fund Balances	<u>\$ 2,376,358</u>	<u>\$ 2,735,235</u>	<u>\$ 860,138</u>	<u>\$ (1,521,870)</u>	<u>\$ 1,359,232</u>	<u>\$ 5,809,093</u>

* Massachusetts General Laws, Chapter 40, Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 16 - NET POSITION

RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2023, was comprised of the following:

Purpose	Amount
Town grants and revolving funds:	
General government	\$ 248,167
Public safety	409,815
Education	727,398
Public works	330,785
Health and human services	68,553
Culture and recreation	35,004
Community preservation	2,740,183
Nonexpendable	365,317
Expendable	<u>186,503</u>
	<u>\$ 5,111,725</u>

NEGATIVE UNRESTRICTED NET POSITION

As of June 30, 2023, the Town has reported a negative unrestricted net position of \$(11,613,840) on the Statement of Net Position. This deficit is primarily attributable to the recognition of significant unfunded pension and other post-employment benefits (OPEB) liabilities. Information about the pension and OPEB liabilities, in accordance with GASB Statements No. 68 and 75, are more formally discussed in the corresponding pension and OPEB notes.

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with respect to employees' retirement funds.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampshire Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of MGL establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 99 Industrial Avenue, Northampton, MA 01060.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member’s death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement.

For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2023 was \$978,288, which was equal to its annual required contribution.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION

At June 30, 2023, the Town reported a liability of \$6,480,416 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to December 31, 2022. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Town's proportion was 3.24%, which was a decrease of 0.18% from its proportion measured as of December 31, 2021.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSION (CONTINUED)

For the year ended June 30, 2023, the Town recognized pension expense of \$851,357. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,299	\$ (95,611)
Net difference between projected and actual earnings on pension plan investments	928,843	--
Changes of assumptions	553,214	(37,676)
Changes in proportion and differences between pension contributions and proportionate share of contributions	222,394	(253,899)
	\$ 1,834,750	\$ (387,186)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases (decreases) in pension expense as follows:

For the Years Ended June 30,	Amount
2024	\$ 117,359
2025	315,869
2026	388,213
2027	613,312
2028	50,606
Thereafter	(37,795)
	\$ 1,447,564

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate/investment rate of return	6.90%
Salary increases:	
Group 1	4.25% - 6.00%
Group 4	4.75% - 7.00%
Inflation	2.40%
Post-retirement cost-of-living adjustment	3% of first \$13,000

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.00%	4.50%
Non-US developed equity	11.00%	4.30%
Emerging equity	6.00%	7.00%
Private equity	18.00%	7.60%
Core bonds	11.00%	2.10%
Value added fixed income	12.00%	5.20%
Real estate	18.00%	3.10%
Cash	2.00%	0.00%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - HAMPSHIRE COUNTY RETIREMENT SYSTEM (CONTINUED)

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
\$ 8,769,347	\$ 6,480,416	\$ 4,471,884

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan’s fiduciary net position is available in the system’s separately issued financial report.

NOTE 18 - MASSACHUSETTS TEACHERS’ RETIREMENT SYSTEM (MTRS)

PLAN DESCRIPTION

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts’ reporting entity and does not issue a standalone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members — two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

BENEFITS PROVIDED

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. MGL establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

CONTRIBUTIONS

Member contributions for MTRS vary depending on the most recent date of membership:

Membership Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022, rolled forward to June 30, 2022. This valuation used the following assumptions:

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012-2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

TARGET ALLOCATIONS

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

TARGET ALLOCATIONS (CONTINUED)

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timber/natural resources	4.00%	3.90%
	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

SENSITIVITY ANALYSIS

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

SPECIAL FUNDING SITUATION

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

TOWN PROPORTIONS

In fiscal year 2022 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$11.1 million based on a proportionate share of 0.043%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$903,000 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of approximately \$914,000 as both a revenue and expense on the Statement of Activities.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS

The Town follows GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (OPEB). This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2013, the Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

The Town also follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through the Hampshire County Group Insurance Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of MGL.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

GENERAL INFORMATION ABOUT THE OPEB PLAN (CONTINUED)

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	56
Active employees	<u>119</u>
	<u>175</u>

INVESTMENTS

The OPEB trust fund assets consist of corporate equity and fixed income mutual funds.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ACTUARIAL ASSUMPTIONS

The net OPEB liability was determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Municipal bond rate and discount rate	4.13%
Healthcare cost trend rates	8.00% for 2022, decreasing 0.5% to an ultimate rate of 5.00% in 2026 and later years
Retirees' share of benefit-related costs	50%
Participation rate	70% of eligible retirees

Mortality rates were based on the PUB-2010 Mortality with MP-2021 projection.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TARGET ALLOCATIONS

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table.

Asset Class	Target Allocation Percentage
Domestic equity	31.00%
International equity	21.00%
Fixed income	28.00%
Alternatives	20.00%
Cash	0.00%
	100.00%

CONTRIBUTIONS

In addition to the implicit subsidy contribution, the Town's policy is to contribute the actuarially determined contribution or amounts provided annually by the budget.

DISCOUNT RATE

The OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate was equal to the municipal bond rate of 4.13%, based on the S&P 20 years AA Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$	8,915,109
Plan fiduciary net position		<u>(437,389)</u>
Net OPEB Liability	\$	<u>8,477,720</u>

Plan fiduciary net position as a percentage of the total OPEB liability	4.91%
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The fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the plan recognized benefit payments when due and payable.

CHANGES IN THE NET OPEB LIABILITY

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 8,140,588	\$ 343,493	\$ 7,797,095
Changes for the year:			
Service cost	369,234	--	369,234
Interest	328,447	--	328,447
Difference between expected and actual experience	343,605	--	343,605
Changes of assumptions	(46,546)	--	(46,546)
Contributions - employer	--	283,723	(283,723)
Net investment income	--	30,392	(30,392)
Benefit payments	<u>(220,219)</u>	<u>(220,219)</u>	<u>--</u>
Net Changes	<u>774,521</u>	<u>93,896</u>	<u>680,625</u>
Balances, End of Year	<u>\$ 8,915,109</u>	<u>\$ 437,389</u>	<u>\$ 8,477,720</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

CHANGES IN THE NET OPEB LIABILITY (CONTINUED)

Changes of assumptions reflect a change in the discount rate from 4.09% in 2022 to 4.13% in 2023.

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
\$ 9,919,656	\$ 8,477,720	\$ 7,315,503

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (7.0%)	Current Healthcare Cost Trend Rates (8.0%)	1% Increase (9.0%)
\$ 7,194,283	\$ 8,477,720	\$ 10,109,740

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 19 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2023, the Town recognized an OPEB expense of \$401,100. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 340,903	\$ (3,152,569)
Changes of assumptions	4,006,660	(2,074,828)
Net difference between projected and actual OPEB investment earnings	5,320	--
	\$ 4,352,883	\$ (5,227,397)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

For the Years Ended June 30:	Amount
2024	\$ (115,967)
2025	(34,545)
2026	(23,675)
2027	(749,836)
2028	49,509
	\$ (874,514)

NOTE 20 - COMMITMENTS AND CONTINGENCIES

OUTSTANDING LEGAL ISSUES

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

SELF-INSURANCE

The Town participates in the Hampshire County Group Insurance Trust (the Trust) to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2023, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$300,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2023, according to the Trust's audited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$5.0 million, the Trust was in a surplus position of approximately \$22.8 million.

ENCUMBRANCES

At year-end the Town's General Fund had \$74,113 in encumbrances that will be honored in the next fiscal year.

NOTE 21 - SUBSEQUENT EVENTS

DEBT

Subsequent to June 30, 2023, the Town rolled the bond anticipation note that was outstanding at year end twice.

<u>Purpose</u>	<u>Amount</u>	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>
East Street Bridge, Dump Truck, Loader	\$ 1,970,422	4.55%	06/14/24	06/13/25
East Street Bridge, Dump Truck, Loader	\$ 1,825,379	4.13%	06/13/25	03/10/26

TOWN OF SOUTHAMPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 22 - CORRECTION OF ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the issuance of the 2022 financial statements, management identified that unbilled receivable was not properly recorded. As a result, the following amounts in fiscal year 2022 were restated for a correction of an error as follows:

	Water Enterprise Fund				
	Receivables	Operating Revenues	Operating Income	Net Change in Net Position	Ending Net Position
As previously reported	\$ 90,610	\$ 841,801	\$ 162,070	\$ 637,515	\$ 10,909,097
Correction of error	<u>102,107</u>	<u>24,228</u>	<u>24,228</u>	<u>24,228</u>	<u>102,107</u>
As restated	<u>\$ 192,717</u>	<u>\$ 866,029</u>	<u>\$ 186,298</u>	<u>\$ 661,743</u>	<u>\$ 11,011,204</u>

	Business-Type Activities				
	Receivables	Operating Revenues	Operating Income	Net Change in Net Position	Ending Net Position
As previously reported	\$ 90,610	\$ 1,011,797	\$ 129,595	\$ 610,640	\$ 11,055,593
Correction of error	<u>102,107</u>	<u>24,228</u>	<u>24,228</u>	<u>24,228</u>	<u>102,107</u>
As restated	<u>\$ 192,717</u>	<u>\$ 1,036,025</u>	<u>\$ 153,823</u>	<u>\$ 634,868</u>	<u>\$ 11,157,700</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) – BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 14,007,212	\$ 14,007,212	\$ 13,983,793	\$ (23,419)
Excises	1,078,217	1,078,217	1,075,546	(2,671)
Penalties, interest, and other taxes	257,000	257,000	295,333	38,333
Charges for services	117,893	117,893	117,893	--
Intergovernmental	3,453,860	3,453,860	3,641,309	187,449
Licenses and permits	288,000	288,000	220,212	(67,788)
Fines and forfeitures	4,000	4,000	3,738	(262)
Investment income	8,819	8,819	124,753	115,934
Miscellaneous income	33,783	33,783	22,538	(11,245)
Total Revenues	<u>19,248,784</u>	<u>19,248,784</u>	<u>19,485,115</u>	<u>236,331</u>
Expenditures				
General government	741,348	741,348	696,319	45,029
Public safety	2,110,112	2,212,580	2,201,386	11,194
Education	12,096,811	12,096,811	11,349,973	746,838
Public works	957,155	957,155	931,304	25,851
Health and human services	151,047	151,047	146,864	4,183
Culture and recreation	192,422	192,422	184,694	7,728
Employee benefits	2,561,752	2,561,752	2,522,906	38,846
Debt service	369,229	438,144	433,294	4,850
Intergovernmental	268,142	268,142	326,188	(58,046)
Total Expenditures	<u>19,448,018</u>	<u>19,619,401</u>	<u>18,792,928</u>	<u>826,473</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(199,234)</u>	<u>(370,617)</u>	<u>692,187</u>	<u>1,062,804</u>
Other Financing Sources (Uses)				
Transfers in	117,500	288,883	288,883	--
Transfers out	(256,308)	(256,308)	(256,308)	--
Use of free cash:				
Capital budget	47,930	47,930	--	(47,930)
Transfer to stabilization funds	241,308	241,308	--	(241,308)
Contribution to OPEB trust fund	33,804	33,804	--	(33,804)
Transfer to special revenue fund	15,000	15,000	--	(15,000)
Total Other Financing Sources (Uses)	<u>199,234</u>	<u>370,617</u>	<u>32,575</u>	<u>(338,042)</u>
Overall Budgetary Excess	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 724,762</u>	<u>\$ 724,762</u>

See independent auditors' report and notes to required supplementary information.

TOWN OF SOUTHAMPTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR GENERAL FUND BUDGET
FOR THE YEAR ENDED JUNE 30, 2023

BUDGETARY BASIS

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations. The Town's budget is prepared on a budgetary basis of accounting. Under the budgetary basis, the Town recognizes revenues when they are measurable and available, and expenditures are recognized when the liability is incurred. Encumbrances are recorded as expenditures for budgetary purposes.

The Town's budget is voted by function by Town Meeting votes.

BUDGET/GAAP RECONCILIATION

The budgetary data for the General Fund is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

	Revenues	Expenditures	Other Financing Sources (Uses)
	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$ 20,375,993	\$ 19,705,916	\$ 151,783
Remove the effect of adding the Town's stabilization fund(s) per GASB 54	12,614	--	(119,208)
Reverse beginning of year appropriation carryforwards from expenditures	--	(83,609)	--
Add end of year appropriation carryforwards to expenditures	--	74,113	--
Reverse the effect on non-budgeted State contributions for teachers retirement	<u>(903,492)</u>	<u>(903,492)</u>	<u> </u>
Budgetary Basis	<u>\$ 19,485,115</u>	<u>\$ 18,792,928</u>	<u>\$ 32,575</u>

TOWN OF SOUTHAMPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY *(Dollars expressed in thousands)*

Hampshire County Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability			
June 30, 2023	December 31, 2022	3.42%	\$ 6,480	\$ 2,953	219.44%	68.20%			
June 30, 2022	December 31, 2021	3.42%	\$ 4,443	\$ 2,953	150.46%	78.60%			
June 30, 2021	December 31, 2020	3.37%	\$ 6,024	\$ 3,026	199.07%	69.20%			
June 30, 2020	December 31, 2019	3.34%	\$ 6,675	\$ 2,069	322.62%	64.30%			
June 30, 2019	December 31, 2018	3.30%	\$ 7,114	\$ 2,835	250.93%	58.91%			
June 30, 2018	December 31, 2017	3.16%	\$ 5,877	\$ 2,486	236.40%	63.12%			
June 30, 2017	December 31, 2016	3.12%	\$ 6,860	\$ 2,361	290.55%	55.61%			
June 30, 2016	December 31, 2015	3.26%	\$ 6,778	\$ 2,766	245.05%	55.29%			
June 30, 2015	December 31, 2014	3.28%	\$ 6,128	\$ 2,638	232.30%	58.07%			

Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2023	June 30, 2022	0.043%	\$ --	\$ 11,114	\$ 11,114	\$ 3,539	-	57.75%	
June 30, 2022	June 30, 2021	0.045%	\$ --	\$ 10,226	\$ 10,226	\$ 3,493	-	62.03%	
June 30, 2021	June 30, 2020	0.044%	\$ --	\$ 12,453	\$ 12,453	\$ 3,306	-	50.67%	
June 30, 2020	June 30, 2019	0.042%	\$ --	\$ 10,625	\$ 10,625	\$ 3,066	-	53.95%	
June 30, 2019	June 30, 2018	0.044%	\$ --	\$ 10,503	\$ 10,503	\$ 2,988	-	54.84%	
June 30, 2018	June 30, 2017	0.049%	\$ --	\$ 10,386	\$ 10,386	\$ 3,296	-	54.25%	
June 30, 2017	June 30, 2016	0.046%	\$ --	\$ 10,345	\$ 10,345	\$ 3,044	-	52.73%	
June 30, 2016	June 30, 2015	0.045%	\$ --	\$ 9,208	\$ 9,208	\$ 2,849	-	55.38%	
June 30, 2015	June 30, 2014	0.048%	\$ --	\$ 7,700	\$ 7,700	\$ 2,970	-	61.64%	

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars expressed in thousands)

Hampshire County Retirement System						
Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	December 31, 2022	\$ 978	\$ 978	\$ --	\$ 2,953	33.12%
June 30, 2022	December 31, 2021	\$ 979	\$ 979	\$ --	\$ 2,953	33.15%
June 30, 2021	December 31, 2020	\$ 881	\$ 881	\$ --	\$ 3,026	29.11%
June 30, 2020	December 31, 2019	\$ 812	\$ 812	\$ --	\$ 2,069	39.25%
June 30, 2019	December 31, 2018	\$ 745	\$ 745	\$ --	\$ 2,835	26.28%
June 30, 2018	December 31, 2017	\$ 675	\$ 675	\$ --	\$ 2,486	27.15%
June 30, 2017	December 31, 2016	\$ 615	\$ 615	\$ --	\$ 2,361	26.05%
June 30, 2016	December 31, 2015	\$ 608	\$ 608	\$ --	\$ 2,766	21.98%
June 30, 2015	December 31, 2014	\$ 573	\$ 573	\$ --	\$ 2,638	21.72%
Massachusetts Teachers' Retirement System						
Fiscal Year	Measurement Date	Contractually Required Contribution Provided by Commonwealth	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2023	June 30, 2022	\$ 903	\$ 903	\$ --	\$ 3,539	25.52%
June 30, 2022	June 30, 2021	\$ 787	\$ 787	\$ --	\$ 3,493	22.53%
June 30, 2021	June 30, 2020	\$ 678	\$ 678	\$ --	\$ 3,306	20.51%
June 30, 2020	June 30, 2019	\$ 608	\$ 608	\$ --	\$ 3,066	19.83%
June 30, 2019	June 30, 2018	\$ 582	\$ 582	\$ --	\$ 2,988	19.48%
June 30, 2018	June 30, 2017	\$ 561	\$ 561	\$ --	\$ 3,296	17.02%
June 30, 2017	June 30, 2016	\$ 520	\$ 520	\$ --	\$ 3,044	17.08%
June 30, 2016	June 30, 2015	\$ 459	\$ 459	\$ --	\$ 2,849	16.11%
June 30, 2015	June 30, 2014	\$ 454	\$ 454	\$ --	\$ 2,970	15.29%

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See independent auditors' report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

(Dollars expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 369	\$ 518	\$ 483	\$ 179	\$ 168	\$ 160	\$ 259
Interest	328	271	302	423	250	303	294
Difference between expected and actual experience	344	(2,104)	(698)	(3,151)	--	1,047	--
Change in assumptions	(47)	(2,850)	906	8,141	--	(2,608)	--
Benefit payments	<u>(220)</u>	<u>(219)</u>	<u>(218)</u>	<u>(231)</u>	<u>(235)</u>	<u>(225)</u>	<u>(217)</u>
Net Change in Total OPEB Liability	774	(4,384)	775	5,361	183	(1,323)	336
Total OPEB Liability - Beginning	<u>8,141</u>	<u>12,525</u>	<u>11,750</u>	<u>6,389</u>	<u>6,206</u>	<u>7,529</u>	<u>7,193</u>
Total OPEB Liability - Ending (a)	8,915	8,141	12,525	11,750	6,389	6,206	7,529
Plan Fiduciary Net Position							
Contributions - employer	284	253	247	267	242	245	245
Net investment income (loss)	30	(59)	70	8	14	8	6
Benefit payments	<u>(220)</u>	<u>(218)</u>	<u>(218)</u>	<u>(231)</u>	<u>(212)</u>	<u>(203)</u>	<u>(195)</u>
Net Change in Plan Fiduciary Net Position	94	(24)	99	44	44	50	56
Plan Fiduciary Net Position - Beginning	<u>345</u>	<u>369</u>	<u>270</u>	<u>226</u>	<u>182</u>	<u>132</u>	<u>76</u>
Plan Fiduciary Net Position - Ending (b)	<u>439</u>	<u>345</u>	<u>369</u>	<u>270</u>	<u>226</u>	<u>182</u>	<u>132</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 8,476</u>	<u>\$ 7,796</u>	<u>\$ 12,156</u>	<u>\$ 11,480</u>	<u>\$ 6,163</u>	<u>\$ 6,024</u>	<u>\$ 7,397</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS *(Dollars expressed in thousands)*

Schedule of Net OPEB Liability	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability	\$ 8,915	\$ 8,141	\$ 12,525	\$ 11,750	\$ 6,390	\$ 6,206	\$ 7,529
Plan fiduciary net position	<u>(437)</u>	<u>(343)</u>	<u>(369)</u>	<u>(270)</u>	<u>(226)</u>	<u>(182)</u>	<u>(132)</u>
Net OPEB Liability	<u>\$ 8,478</u>	<u>\$ 7,798</u>	<u>\$ 12,156</u>	<u>\$ 11,480</u>	<u>\$ 6,164</u>	<u>\$ 6,024</u>	<u>\$ 7,397</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.90%	4.21%	2.95%	2.30%	3.54%	2.93%	1.75%
Schedule of Contributions	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution *	\$ 973	\$ 1,298	\$ 1,249	\$ 782	\$ 242	\$ 245	\$ 245
Contributions in relation to the actuarially determined contribution	<u>(284)</u>	<u>(253)</u>	<u>(247)</u>	<u>(267)</u>	<u>(242)</u>	<u>(245)</u>	<u>(245)</u>
Contribution deficiency (excess)	<u>\$ 689</u>	<u>\$ 1,045</u>	<u>\$ 1,002</u>	<u>\$ 515</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Schedule of Investment Returns	2023	2022	2021	2020	2019	2018	2017
Annual money weighted rate of return, net of investment expense	8.10%	-17.30%	25.80%	2.90%	6.60%	4.30%	unavailable

* Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

**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 Select Board
Town of Southamptton, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southamptton, Massachusetts (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 15, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

CBIZ CPAs P.C.

Greenfield, MA
September 15, 2025

TOWN OF SOUTHAMPTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES

Finding 2023-001: Improve Financial Situation in Transfer Station Fund Material Weakness, Compliance Finding

Criteria

According to Massachusetts General Laws Chapter 44, Section 31, enterprise funds, such as the Transfer Station Enterprise Fund, are expected to operate within their approved annual budgets. These funds should also ensure that revenues generated are sufficient to cover operating expenses to avoid a fund deficit.

Condition

Our analysis revealed that the actual expenditures for the Transfer Station Enterprise Fund exceeded the budgeted amounts by \$15,415, and revenues were less than budget by \$(3,585), leading to an operating deficit of \$(21,809) at the end of the fiscal year.

Cause

The over expenditure was primarily due to operating expenditures in excess of budgeted amounts. Additionally, revenue forecasts were not met.

Effect

The deficit in the Transfer Station Enterprise Fund impacts the overall financial health of the Town. It reduces the available reserves and may necessitate future corrective actions such as increased fees, additional funding from other sources, or budget cuts in other areas to offset the deficit.

Recommendation

The Town should develop a plan to address the current deficit and implement measures to prevent future occurrences. The Town should strengthen budgetary controls and monitoring processes to ensure that actual expenditures do not exceed approved budgets. Regularly review budgetary performance and adjust spending plans as necessary. In addition, the Town should ensure that revenue budget estimates are reasonable and consistent with prior year amounts.

Views of Responsible Officials and Planned Corrective Action

The Town's corrective action plan is included at the end of this report.

TOWN OF SOUTHAMPTON, MASSACHUSETTS

SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES

Finding 2023-002: Improve Controls Over Revenue Recognition Material Weakness

Criteria

Generally accepted accounting standards required business-type activities to recognize revenues in the period they are earned. The accrual of earned but unbilled revenues ensures that financial statements accurately reflect the financial position and performance of the Town.

Condition

The Town did not properly accrue for revenues earned but unbilled at the end of the fiscal year. The failure to recognize these unbilled revenues resulted in an understatement of accounts receivable and related net position in the Town's prior year financial statements.

Cause

The material weakness was caused by a lack of effective internal controls and oversight in the revenue recognition process. Specifically, the Town's current procedures did not include adequate mechanisms to identify and record unbilled accruals at the end of the reporting period.

Effect

Prior year financial statements of the Town were materially misstated. The Town made adjustments during the year to correct this misstatement.

Recommendation

We recommend the Town enhance its internal controls over the revenue recognition process, particularly with regard to unbilled accruals.

Views of Responsible Officials and Planned Corrective Action

The Town's corrective action plan is included at the end of this report.



TOWN OF SOUTHAMPTON

September 16, 2025

Re: FY 23 Audit Corrective Action Plan

Dear Ms. Lyesiuk,

This letter is in response to the recommendations contained in the FY 23 municipal audit Management Letter. The Town of Southampton recognizes that there is a deficiency in several of our processes and procedures and is working to correct these issues.

Audit Finding Reference: 2023-001 Improve Financial Situation in Transfer Station Fund Material Weakness, Compliance Finding

Planned Corrective Action: The Transfer Station Enterprise Fund has erroneously been covering for the landfill monitoring and annual environmental reports as required by MassDEP. The mandatory landfill monitoring cost has been relocated to the Health Department, the department responsible for the landfill closure, in the amount of \$8,700 for Fiscal Year 2026.

Additionally, fees have been adjusted to collect the necessary funds to cover operational expenses of the landfill.

Name of Contact Person and Completion Date: Scott Szczebak, Town Administrator and Bradley Okscin, Town Accountant. Completed July 1, 2025.

Audit Finding Reference: 2023-002 Improve Controls Over Revenue Recognition Material Weakness

Planned Corrective Action: The Town is looking to implement several key changes over the revenue process. In 2026, the Town will be proposing to change the Treasurer/Collector position from elected to appointed. This will allow better oversight for the position that is responsible for collecting and processing revenue. We are also planning on expanding hours for staff to focus on core functions, such as revenue reporting. We will also implement new procedures over the next year by requiring departments to input their collections and revenue directly into our accounting software, VADAR. In the last year, we have also filled the Assistant Town Accountant position, who is tasked with reviewing revenue. Finally the Division of Local Services Financial Management Bureau has committed to working with Southampton directly to implement best practices, policies and

procedures on revenue, reconciliation, purchasing, payroll, and other core responsibilities of the Treasurer/Collector's Office.

Name of Contact Person and Completion Date: Scott Szczebak, Town Administrator and Bradley Okscin, Town Accountant. June 1, 2025.

Sincerely



Scott Szczebak
Town Administrator