This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 24, 2021

RENEWALS **BOND ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel, under existing statues, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

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

VILLAGE OF SAG HARBOR
SUFFOLK COUNTY, NEW YORK
(the "Village")

$4,230,000

BOND ANTICIPATION NOTES – 2021
(the "Notes")

Dated Date: September 16, 2021 Maturity Date: September 16, 2022

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

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser, the Notes may be either (i) registered in the name of the purchaser or (ii) registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. A single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Those Notes issued in book-entry form will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Holders of book-entry Notes will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See *"Book-Entry System*" herein).

Payment: Payment of the principal of and interest on the Notes registered to the Purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Payment of the principal of and interest on any Notes issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC Participants or Indirect Participants and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Village Clerk. (See "*Book-Entry System*" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 2, 2021 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about September 16, 2021 in New York, New York, or as otherwise agreed to by the Village and the purchaser.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

VILLAGE OF SAG HARBOR
SUFFOLK COUNTY, NEW YORK

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BOARD OF TRUSTEES

James L. Larocca, Mayor

Bob Plumb
Aidan Corish
Thomas C. Gardella
Edward Haye

Timothy E. Bullock, Village Treasurer
Beth M. Kamper, Village Administrator/Clerk
Elizabeth E. Vail, Esq., Village Attorney

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

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OFFICIAL STATEMENT

Relating to

VILLAGE OF SAG HARBOR
SUFFOLK COUNTY, NEW YORK

$4,230,000 BOND ANTICIPATION NOTES – 2021
(the "Notes")

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village of Sag Harbor (the "Village") and presents certain information relating to the Village's $4,230,000 Bond Anticipation Notes – 2021 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the Village's overall economic situation and outlook (and all of the specific Village-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "*RISK FACTORS*" and "*IMPACT OF COVID-19*" herein.

THE NOTES

Description of the Notes

The Notes are general obligations of the Village. The Village has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein)**.**

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

The Village Clerk will act as Fiscal Agent for the Notes and the purchaser may act as paying agent for any Notes registered in the name of the purchaser. Paying agent fees, if any, will be paid by the purchaser(s). The Village's contact information is as follows: Timothy Bullock, Village Treasurer, Village of Sag Harbor, PO Box 660, 55 Main Street, Sag Harbor, NY 11963-0015, Phone (631) 725-0222 and email: tbullock@sagharborny.gov.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-Entry System

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each book-entry Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilities the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found a www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Source: The Depository Trust Company, New York, New York.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and two bond resolutions duly adopted by the Board of Trustees of the Village as follows:

Date of Authorization	Purpose	Amount Outstanding	Amount To Be Paid	Amount to be Issued
06/11/2019	Construction and Improvements to Long Wharf	$4,000,000	$ 145,000	$3,855,000
12/10/2019	Installation of Electrical Services	550,000	175,000	375,000
		$4,550,000	$ 320,000	$4,230,000

Security and Source of Payment

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

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

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. **(**See "*Tax Levy Limit Law*," herein).

RISK FACTORS

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Village's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other

political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Village to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The availability of such monies and the timeliness of such payment may be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. State aid appropriated and apportioned to the Village can be paid only if the State has such monies available therefor. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may affect the market price and/or marketability for the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Village, could impair the financial condition of such entities, including the Village, and the ability of such entities, including the Village, to pay debt service on the Notes.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is affecting economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State also declared a state of emergency in 2020 and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and nonessential businesses. The State's state of emergency was lifted in July 2021. However, the outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Village's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the Village. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*Revenues - State Aid*" herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Village default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. Each Note is a general obligation contract between the Village and the owners for which the faith and credit of the Village are pledged and while remedies for enforcement of payment are not expressly included in the Village's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Village. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain

the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Village and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Village to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Village subject to taxation by the Village, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Village.

Pursuant to Article VIII, Section 2 of the State Constitution, the Village is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp*., 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

MUNICIPAL BANKRUPTCY

The undertakings of the Village should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Village could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Village after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Village, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Village in the future cannot be assured.

No current state law purports to create any priority for holders of the Notes should the Village be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Village is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State may be presently working with the FRB. The Village has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

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

THE VILLAGE OF SAG HARBOR

There follows in this Official Statement a brief description of the Village together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

Description

The Village, incorporated in 1846 is comprised of approximately 2 square miles, located on the north shore of the South Fork of Long Island and is partially situated in two Towns: Southampton (60%) and East Hampton (40%). The Village is designated as a National Historic District and serves as a recreational and commercial center for the area. The dividing line of the Village is Division Street which becomes Town Line Road just south of the Village. Most of the defining landmarks of the Village – including its Main Street, the Whalers Church, John Jermain Library, Whaling Museum, the Old Burying Ground, Oakland Cemetery, Mashashimuet Park, and Otter Pond are in Southampton. Almost all the Bay Street Marina Complex, including Sag Harbor Yacht Club and Breakwater Yacht Club, at the foot of Main Street, is in East Hampton, as are the Pierson High School and the Sag Harbor State Golf Course.

Water, electricity and natural gas are provided by the Suffolk County Water Authority, the PSEG Long Island and National Grid, respectively. Police protection is provided by the Village and supplemented by the Towns of Southampton and East Hampton and the County. Fire protection is provided by the Village Fire Department. Transportation facilities are made available to residents of the Village by the Long Island Railroad, the Hampton Jitney and Suffolk County Bus Companies.

Governmental Organization

Subject to the provisions of the State Constitution, the Village operates pursuant to the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws applicable to the Village.

The legislative power of the Village is vested in the Board of Trustees of the Village (the "Board"). There are five members of the Board (the Mayor and four Trustees), each of whom is elected at-large for a term of two years. These officials may succeed themselves without any limit on the number of terms.

The executive responsibility for the Village is vested in the Mayor. Subject to Board approval, the Mayor appoints the Village Treasurer, Village Clerk, and Village Attorney.

Employees

The Village provides services through approximately 38 full-time and 61 part-time employees. The Civil Service Employees Association, Inc. represents 18 employees under a contract which will expire on May 31, 2023. The Police Benevolent Association represents 11 employees under a contract which will expire on May 31, 2026.

DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables present certain comparative demographic and statistical information regarding the Village, County of Suffolk and State of New York.

Population

Year	Village of Sag Harbor	Suffolk County	New York State
1990	2,131	1,321,864	17,990,455
2000	2,313	1,390,791	18,976,457
2010	1,954	1,482,548	19,378,102
2019	1,905	1,483,832	19,572,319

Sources: U.S. Bureau of the Census.

Income Data

	Per Capita Money Income			
	1990	2000	2010	2019[a]
Village of Sag Harbor	$43,750	$40,566	$63,726	$ 67,734
County of Suffolk	18,481	26,577	35,755	44,465
State of New York	16,501	23,389	30,948	39,326

	Median Household Income			
	1990	2000	2010	2019[a]
Village of Sag Harbor	$69,285	$52,275	$85,401	$ 86,103
County of Suffolk	53,244	72,112	84,506	101,031
State of New York	32,965	43,393	55,603	68,486

Source: United States Bureau of the Census
a: Based on American Community Survey 5-Year Estimates (2015-2019)

Unemployment Rate Statistics

Unemployment statistics are not available for the Village. The information set forth below with respect to the Town, County and the State is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the Village is necessarily representative of the Town, County or the State.

Annual Averages:	County of Suffolk (%)	New York State (%)
2016	4.4	4.90
2017	4.5	4.60
2018	3.8	4.10
2019	3.5	3.80
2020	8.5	10.00
2021 (6 Months)	5.7	8.25

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

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

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

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under *"Security and Source of Payment"*, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village has complied with this estoppel procedure with respect to the authorization of the Notes.

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

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*").

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

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

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

The following pages set forth certain details with respect to the indebtedness of the Village.

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Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of August 24, 2021)

Fiscal Year Ending May 31:	Assessed Valuation	State Equal. Rate (%)	Full Valuation
2018	$2,406,518,221	101.85	$2,362,806,304
2019	2,406,518,221	103.65	2,321,773,489
2020	2,902,420,662	114.19	2,541,746,792
2021	2,920,827,064	107.27	2,722,874,116
2022	2,978,759,203	108.67	2,741,105,368

Total Five Year Full Valuation	$9,949,200,701
Average Five Year Full Valuation	1,989,840,140
Debt Limit - 7% of Average Full Valuation	139,288,810
Inclusions:	
General Purpose Bonds	895,000
Bond Anticipation Notes	4,550,000
Total Inclusions	5,445,000
Exclusions:	
Appropriations	495,000
Total Exclusions	495,000
Total Net Indebtedness Before Issuing the Notes	4,950,000
The Notes	4,230,000
Less: BANs Being Redeemed by the Notes	4,230,000
Net Effect of the Notes	0
Total Net Indebtedness After Issuing the Notes	4,950,000
Net Debt Contracting Margin	$134,338,810
Percent of Debt Contracting Margin Exhausted (%)	3.55

Debt Service Requirements - Outstanding Bonds[a]

Fiscal Year Ending May 31:	Principal	Interest	Total
2022	$225,000	$18,688	$243,688
2023	225,000	13,813	238,813
2024	220,000	8,988	228,988
2025	220,000	4,125	224,125
2026	55,000	825	55,825
Totals	$945,000	$46,438	$991,438

a. Does not include payments made to date.

Details of Short-Term Indebtedness Outstanding
(As of August 24, 2021)

As of the date of this Official Statement, the Village has bond anticipation notes outstanding in the aggregate amount of $4,550,000 that mature on September 17, 2021. The Notes and available funds in the amount of $320,000 will redeem such bond anticipation notes.

Authorized but Unissued Indebtedness

As of the date of this Official Statement, the Village has no authorized but unissued debt.

Capital Project Plans

The Village is generally responsible for providing services as required to the citizens on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Village owns, operates, maintains and improves recreation facilities. In general, needs for capital funding for the above described projects which the Village has responsibility are anticipated to continue and to be in approximately the same amounts or less than has prevailed in the past.

Trend of Outstanding Debt

	Fiscal Year Ending May 31:				
	2017	2018	2019	2020	2021
Bonds	$1,480,000	$1,260,000	$1,400,000	$1,170,000	$945,000
BAN's	-	-	-	4,550,000	4,550,000
Other	-	-	-	-	-
Total Debt Outstanding	$1,480,000	$1,260,000	$1,400,000	$5,720,000	$5,495,000

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	7/14/2021	0.70	$13,863,757	$8,799,825
Town of East Hampton	7/30/2021	6.34	5,930,426	5,556,944
Town of Southampton	7/12/2021	2.16	1,945,808	1,697,703
Sag Harbor UFSD	10/22/2020	29.34	5,059,683	5,059,683
Totals			$26,799,674	$21,114,155

Debt Ratios
(As of August 24, 2021)

	Amount	Per Capita[a]	Percentage of Full Value (%)[b]
Total Direct Debt	$5,445,000	$ 2,858	0.199
Net Direct Debt	4,950,000	2,598	0.181
Total Direct & Applicable Total Overlapping Debt	32,244,674	16,926	1.176
Net Direct & Applicable Net Overlapping Debt	26,064,155	13,682	0.951

a. The current estimated population of the Village is 1,905.

b. The full valuation of taxable real property in the Village for 2021-22 is $2,741,105,368.

FINANCES OF THE VILLAGE

Financial Statements and Accounting Procedures

The financial statements of the Village are audited each year by an independent public accountant. The latest year for which an audited financial statement is available is the fiscal year ended May 31, 2020 and is attached as Appendix B. The financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and Federal statutes. As required by law, the Village also prepares an Annual Financial Report Update Document for submission to the State Comptroller. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

Fund Structure and Accounts

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village presently maintains the following governmental funds: General Fund, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Trustees of the Village has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Mayor is responsible for the preparation and submission of the tentative annual budget to the Board. The Village Board reviews the tentative budget and prepares a preliminary budget and a public hearing is held thereon. Subsequent to the public hearing, revisions (if any) are made. The budget is then adopted by the Village Board as final for the year beginning June 1. The budget is not subject to referendum. Municipal law provides that no expenditures may exceed budgeted appropriations. Any revisions to the annual budget proposed to accommodate changes in departments or other programs must be adopted by resolution of the Village Board.

Financial Operations

The Village Treasurer functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Village Treasurer is responsible for the Village's accounting and financial reporting activities. The Mayor is the Village's budget officer and prepares the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Village Treasurer. Pursuant to Section 30.00 of the Local Finance Law, the Village Treasurer has been authorized to issue or renew certain specific types of notes. As required by law, the Village Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. Capital projects and selected equipment purchases are accounted for in special capital projects funds. The Village observes a June 1 - May 31 fiscal year for operating and reporting purposes.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village. Non-Property Taxes, Intergovernmental Charges, Departmental Income and State aid. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A. See also "Tax Levy Limit Law" herein.

Real Property Taxes

See "Tax Information", herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

The State is not constitutionally obligated to maintain or continue State aid to the Village. No assurance can be given that present State aid levels will be maintained in the future. In 2020, due to the outbreak of COVID-19, the State declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it negatively impacted the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of State aid in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "*IMPACT OF COVID*" herein.)

In October 30, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarterly State Budget Financial Plan Update, which projects a $14.9 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of $63 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State had announced that in the absence of Federal funding to offset this revenue loss, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

The State's revenue picture improved in the final quarter of fiscal year 2021, with tax collections exceeding expectations. On March 1, 2021 the Executive and Legislature reached consensus that cumulative tax receipts over fiscal year 2021 and fiscal year 2022 would be at least $2.5 billion higher than estimated in the Executive Budget Financial Plan. Collections through the end of fiscal year 2021 were even more favorable, providing the basis for the substantial upward revision to tax receipts. The State finished fiscal year 2021 in a stronger overall position in comparison to the Executive Budget Financial Plan. Results reflected both strong tax receipts and disbursements that fell substantially below budgeted levels.

On March 11, 2021 the Federal American Rescue Plan Act (ARPA) was enacted. The ARPA is a $1.9 trillion economic stimulus bill intended to contain the COVID-19 pandemic and accelerate the nation's economic recovery. The ARPA provides the State with $12.6 billion in general aid ("recovery aid"), as well as $17.2 billion in categorical aid for schools, universities, childcare, housing and other purposes. (See "*Impact of COVID-19*", herein). The enacted 2021-22 State budget provides for an increase in All Funds spending of 9.7% over 2020-21, relying on a combination of the new federal funding and revenue-raising initiatives to avoid cuts and support additional investments. According to the State, the budget deploys the first $5.5 billion of the $12.6 billion provided for under ARPA.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 pandemic.

Should the Village fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies, the Village is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The following table sets forth the percentage of the Village's General Fund revenue (including transfers) comprised of State aid for each of the fiscal years 2016 through 2020, and as budgeted for 2021 and 2022.

Fiscal Year Ending May 31:	Total Revenue	State Aid	State Aid to Revenues (%)
2016	$ 9,177,525	$408,877	4.46
2017	9,172,774	277,491	3.03
2018	10,388,532	367,647	3.54
2019	11,273,271	384,402	3.41
2020	11,931,796	393,554	3.30
2021 (Budgeted)	12,030,681	289,250	2.40
2022 (Budgeted)	12,643,157	289,250	2.29

Sources: Audited Financials of the Village (2016-2020) and Adopted Budget of the Village (2021-2022).

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the Village as "No Designation" (Fiscal Score: 0.0%; Environmental Score: 0.0%) in 2021. More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. There have not been any audits conducted on the Village in the past five fiscal years.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Culture and Recreation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") or the New York State and Local Police and Fire Retirement System (PFRS). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement Systems Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at which time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5 employees, which is effective for ERS employees hired after January 1, 2010 through March 31, 2012. Tier 5 contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times in the recent past, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years.

The Village is required to contribute an actuarially determined rate. The following table sets forth the contributions for the five most recently completed fiscal years and as budgeted for 2022.

Payments to the Retirement Systems

Fiscal Year Ending May 31:	ERS	PFRS	Total
2017	$202,331	$397,882	$600,213
2018	225,656	437,041	662,697
2019	229,605	545,987	775,592
2020	198,092	408,831	606,923
2021	265,869	348,469	614,338
2022 (Budgeted)	300,936	495,000	795,936

Source: Village Officials

Other Post Employment Benefits

Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 75 ("GASB 75") described below requires such accounting.

GASB 75 of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

Annual OPEB Cost and Net OPEB Obligation

The Village's annual other post-employment benefit (OPEB) cost (expense) is calculated on the annual required contribution of the Village (ARC). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the retiree:

Annual OPEB Cost and Net OPEB Obligation	Fiscal Year Ending May 31, 2020:
Total OPEB Liability at May 31, 2019	$15,450,116
Charges for the Year:	
Service Cost	859,202
Interest	555,483
Differences Between Expected and Actual Experience	
Changes in Benefit Terms	
Changes in Assumptions or Other Inputs	
Benefit Payments	(462,784)
Net Changes	951,901
Total OPEB Liability at May 31, 2020	$16,402,017

Funded Status and Funding Progress

As of June 1, 2020, the most recent actuarial valuation date, the actuarial liability for benefits was $16,402,017, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $3,404,487 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 481%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

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

Based on the historical and expected returns of the Village's short term investment portfolio, a discount rate of 4.0% percent was used. The unfunded actuarial accrued liability is being amortized as a level dollar amortization method. The remaining amortization period at May 31, 2020 was 30 years.

Should the Village be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Village's finances and could force the Village to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Village to partially fund its actuarial accrued OPEB liability.

In April of 2015, the OSC proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. Under the State Comptroller's proposal, there are no limits on how much a local government can deposit into the trust. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Village has decided to continue funding the expenditure on a pay-as-you-go basis.

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. See "*Tax Limit*" herein. The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

The following table sets forth the percentage of the Village's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2016 through 2020, and, as budgeted, for the year ending 2021 and 2022.

Fiscal Year Ending May 31:	Total Revenue	Property Taxes	Real Property Taxes to Revenues (%)
2016	9,177,525	5,662,188	61.70
2017	9,172,774	5,820,070	63.45
2018	10,388,532	6,492,587	62.50
2019	11,273,271	7,109,979	63.07
2020	11,931,796	7,437,721	62.34
2021 (Budgeted)	12,030,681	7,941,719	66.01
2022 (Budgeted)	12,643,157	8,191,018	64.79

Source: Audited financials of the Village (2016 through 2020) and Adopted Budgets of the Village (2021-2022).

Tax Collection Procedure

Tax payments are due on June 1st each year and are payable without penalty up to and including July 1. Penalties for tax delinquencies are imposed at the rate of 5% for the balance of July and an additional percentage (which is set by the State each year and in recent years has approximated 1%) for each month or fraction of thereof thereafter. In March of each year tax liens are sold at auction pursuant to proceedings set forth in the Real Property Tax Law. Consequently, there are usually no uncollected taxes at the end of the fiscal year.

As a result of the COVID-19 pandemic, in certain counties in the State, during the first half of the 2020 fiscal year, the deadline to pay property taxes, without interest or penalty, was extended in certain circumstances. No assurance can be given that similar extensions with respect to the deadlines to pay property taxes, without interest or penalty, may occur in the future. Any such extensions may result in a delay in the receipt of taxes collected.

Tax Levy Limit Law

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

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations**,** and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2021-2022 fiscal year is as follows:

Five-year Average Full Valuation	$2,415,890,854
Tax Limit - 2% thereof	48,317,817
Tax Levy for General Village Purposes	8,138,518
Less: Exclusions	0
Tax Levy Subject to Tax Limit	$8,138,518
Constitutional Tax Margin	$40,179,299

Tax Levies and Rates

Fiscal Year	Tax Levy	Tax Rates
2017-18	6,591,248	2.739
2018-19	6,991,987	2.782
2019-20	7,513,810	2.589
2020-21	7,889,219	2.701
2021-22	8,138,518	2.732

Selected Listing of Large Taxable Properties
2020-2021 Assessment Roll

Name	Type	Assessed Valuation
GL Sag Harbor LLC	Commercial	$21,389,400
Pat Mallov Waterfront LLC	Commercial	12,702,600
Barons Cove Owner	Residential	11,967,400
Stephen Siegal B.	Residential	11,757,100
20 Union Street LLC	Residential	9,684,500
Graff, Michael	Residential	8,552,700
Mile High Partners LLC	Commercial	8,297,600
Coming Up Roses 2 LLC	Commercial	8,054,900
JAR 2 West Water Street LLC	Commercial	7,868,700
Howard Street LLC	Commercial	7,701,000
Gambrel, Steven	Residential	7,684,700
43 Suffolk Sag Investment LLC	Commercial	7,581,300
Austin, Ken	Residential	7,056,200
Fischl, Eric	Residential	6,932,700
Far Away Peace LLC	Commercial	6,912,000
	Total [a]	$144,142,800

Source: Represents 4.84% of the total taxable assessed valuation for 2021-2022.

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Village taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. There are no significant claims filed by the larger taxpayers at this time.

CYBERSECURITY

The Village, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Village faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Village invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. To mitigate such risk the Village has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. In addition, the Village maintains an insurance policy covering cyber liability. The results of any such attack could impact business operations and/or damage Village digital networks and systems and the costs of remedying any such damage could be substantial.

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Village's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency in 2020 and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 have reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it may negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the Village's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including the Village. The Village is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" herein).

LITIGATION

In common with other villages, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial conditions of the Village.

TAX MATTERS

Opinion of Bond Counsel

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

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

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

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

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

Note Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes, substantially in the form set forth in Appendix C.

DISCLOSURE UNDERTAKING

This Official Statement is in a form "deemed final" by the Village for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the Village will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking") substantially in the form appearing in Appendix D.

Compliance History

On December 9, 2015 and December 22, 2017, event notices were filed for the failure to file financial information in a timely manner pursuant to the Limited Disclosure Undertaking entered into in conjunction with certain bond issues of the Village.

RATING

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at 250 Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761 has assigned a rating of "Aa2" to the outstanding bonds of the Village. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Village on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Village and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Village or the information set forth in this Official Statement or any other information available to the Village with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Timothy Bullock, Village Treasurer, Village of Sag Harbor, PO Box 660, 55 Main Street, Sag Harbor, NY 11963-0015, Phone (631) 725-0222 and email: tbullock@sagharborny.gov or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: http://www.munistat.com.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in Village's documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

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

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegates to the Village Treasurer the power to sell and issue the Notes.

By: s/s TIMOTHY BULLOCK
Village Treasurer
Village of Sag Harbor
Sag Harbor, New York

September , 2021

APPENDIX A

FINANCIAL INFORMATION

Balance Sheets
General Funds
Fiscal Year Ended May 31, 2020

	General Fund
ASSETS	
Cash and Cash Equivalents	4,654,253
Cash - Restricted	2,085,235
Tax Sales Certificates	311,794
Prepaid Expenses	296,697
Due from Fudiciary Funds	499,708
Due from Other Governments	38,681
Due to Other Funds	1,554,511
Service Award Program Investments	4,590,296
Accounts Receivable	108,340
Total	$ 14,139,515
LIABILITIES	
Accounts Payable and Accrued Expenses	$ 494,575
Due to Other Governments	6,940
Due to Retirement Systems	101,154
Due to Other Funds	1,645,000
Unearned Revenues	835,842
Due to Fudiciary Funds	3,849
Deferred Inflows or Resources	283,763
Total Liabilities	3,371,123
Fund Equity:	
Nonspendable	296,697
Restricted Fund Balance	6,675,531
Assigned Fund Balance	530,532
Unassigned Fund Balance	3,265,632
Total Fund Equity	10,768,392
Total Liabilities and Fund Equity	$ 14,139,515

Source: Audited Financial Statement of the Village (2020)
NOTE: This Schedule NOT audited

Statement of Revenues, Expenditures and Fund Balances
General Fund

	Fiscal Year Ending May 31:				
	2016	2017	2018	2019	2020
Revenues:					
Real Property Taxes & Tax Items	$ 5,662,188	$ 5,820,070	$ 6,492,587	$ 7,109,979	$ 7,437,721
Non-Property Taxes	121,892	152,079	174,697	159,398	167,683
County Sales Tax	122,172	138,272	154,372	154,372	154,372
Departmental Income	1,272,928	1,152,164	1,328,257	1,413,211	1,535,785
Intergovernmental Charges	1,025,722	1,064,618	1,142,896	1,273,949	1,374,916
Use of Money and Property	78,243	90,292	242,748	237,530	325,648
Licenses & Permits	17,639	18,336	54,190	92,100	45,969
Fines & Forfeitures	348,954	375,506	359,639	390,154	493,072
Sale of Property & Compensation for Loss	71,413	36,814	3,083	14,446	5,001
Refund of Prior Year's Expenses	16,656	12,448	30,327	22,462	-1925
Miscellaneous Local Sources	19,047	16,983	129	1,390	
State Aid	408,877	277,491	367,647	384,402	393,554
Federal Aid	11,794	17,701	37,960	19,878	
Total Revenues	$ 9,177,525	$ 9,172,774	$ 10,388,532	$ 11,273,271	$ 11,931,796
Expenditures:					
General Government Support	1,817,607	1,904,136	1,848,937	2,085,233	2,170,242
Public Safety	2,824,570	2,864,539	2,628,267	2,829,333	2,920,919
Health	376,998	368,937	430,743	379,135	431,520
Transportation	779,117	654,325	879,580	847,423	1,015,493
Economic Assistance and Opportunity					
Culture and Recreation	338,936	298,995	375,498	421,074	343,112
Home and Community Services	153,312	118,384	184,985	153,521	210,286
Employee Benefits	2,405,786	2,407,375	2,457,054	2,787,537	2,744,236
Debt Service	246,714	270,784	374,228	360,728	391,208
Total Expenditures	$ 8,943,040	$ 8,887,475	$ 9,179,292	$ 9,863,984	$ 10,227,016
Other Financing Sources (Uses):					
Proceeds From:					
Operating Transfers - In	51,000	51,000	51,000		28,362
Operating Transfers - Out	(124,321)	(134,342)	(1,019,792)	(97,000)	(70,000)
Total Other Financing Sources (Uses)	(73,321)	(83,342)	(968,792)	(97,000)	(41,638)
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	161,164	201,957	240,448	1,312,287	1,663,142
Fund Balance Beginning of Year	4,231,219	4,392,383	4,484,502	8,116,426	8,823,523
Prior Period Adjustments		(109,838)	3,391,476	(605,190)	281,727 *
Fund Balance End of Year	$ 4,392,383	$ 4,484,502	$ 8,116,426	$ 8,823,523	$ 10,768,392

*A prior period adjustment has been made for the adoption of GASB Statement No. 75.

Sources: Audited Financial Statements of the Village (2016-2020)

NOTE: This Schedule NOT audited

Budget Summaries
General Fund

	2020-21	2021-2022
Revenues:		
Real Property Taxes	$ 7,941,719	$ 8,191,018
Non-Property Taxes	80,000	82,000
Departmental Income	2,799,337	3,005,875
Use of Money and Property	90,818	93,818
Licenses and Permits	33,000	39,000
Fines and Forfeitures	394,000	396,000
Sale of Property and Compensation for Loss	3,000	3,000
Interfund Revenues	51,000	
State Aid	289,250	289,250
Federal Aid	154,372	154,372
Miscellaneous Items	6,000	19,533
Appropriated Fund Balance	188,185	369,291
Total	$ 12,030,681	$ 12,643,157
Expenditures:		
General Government Support	$ 2,626,409	$ 2,843,862
Public Safety	3,376,053	3,464,674
Health	525,314	656,852
Transportation	907,650	1,073,966
Economic Assistance and Oppurtunity	5,500	4,500
Culture and Recreation	412,200	457,700
Home and Community Services	277,500	197,250
Employee Benefits	3,300,855	3,374,482
Debt Service	474,200	444,871
Transfers	125,000	125,000
Total Expenditures	$ 12,030,681	$ 12,643,157

Sources: Adopted Budgets of the Village

VILLAGE OF SAG HARBOR

APPENDIX B

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2020

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT

VILLAGE OF SAG HARBOR

FINANCIAL STATEMENTS

Year Ended May 31, 2020

Incorporated Village of Sag Harbor
COUNTY OF SUFFOLK – STATE OF NEW YORK
Year Ended May 31, 2020

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INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2020

As management of the Incorporated Village of Sag Harbor (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2020.

FINANCIAL HIGHLIGHTS

As reflected in the government wide financial statements, the assets and deferred outflows of the Village were less than its liabilities and deferred inflows at May 31, 2020 fiscal year by ($4,404,052) (net position), of which ($20,875,816) is an unrestricted net deficit that will be funded by future years' resources as they become available.

As reflected in the fund financial statements as of the close of the current fiscal year, the Village's government funds reported an ending fund balance of $8,990,900. Of this amount, $296,697 is nonspendable, $8,448,659 is restricted, $551,624 is assigned, and ($306,080) is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when 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 years.

The governmental activities of the Village include general government, police, fire and ambulance protection, justice court, building department, roads and highways, beach, parks and recreation, marina and docks, and sewage treatment.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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 objects. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and fiduciary funds.

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

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

The Village maintains four governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Sewer Fund, Capital Fund, and Special Revenue Fund.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Village's own programs.

The fiduciary fund financial statement can be found on page 16 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 17-43 of this report.

Combining Schedules facilitate comparison and present information at the individual fund level that demonstrates how they are combined to accumulate totals used in the fund financial statements. The Combining Schedules may be found on pages 44 and 45 of this report.

Budgetary Statements are required by the general statutes and can be found in this part of the financial report. The Village adopts an annual appropriated budget for its General Fund and Sewer Fund. Budgetary comparison schedules have been provided for the General and Sewer Funds to demonstrate compliance with these budgets on pages 46 through 48.

Required Supplemental Information includes certain required information concerning the Village's participation in various employee benefit programs. Required supplementary information can be found beginning on page 49 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Incorporated Village of Sag Harbor's assets and deferred outflows were less than liabilities and deferred inflows by $4,404,052 at the close of the most recent fiscal year.

VILLAGE'S NET POSITION

	Governmental Activities		
	2020	2019	Change
Assets:			
Current and other assets	$ 16,364,225	$ 12,325,165	$ 4,039,060
Capital assets	14,321,126	10,458,439	3,862,687
Total assets	30,685,351	22,783,604	7,901,747
Deferred outflows of resources	4,061,222	1,832,800	2,228,422
Total assets and deferred outflows of resources	$ 34,746,573	$ 24,616,404	$ 10,130,169
Liabilities:			
Current liabilities	$ 7,518,071	$ 1,724,994	$ 5,793,077
Non-current liabilities	30,996,949	26,341,020	4,655,929
Total liabilities	38,515,020	28,066,014	10,449,006
Deferred inflows of resources	635,605	965,505	(329,900)
Total liabilities and deferred inflows of resources	39,150,625	29,031,519	10,119,106
Net position:			
Net investment in capital assets	12,613,401	8,400,444	4,212,957
Restricted	3,858,363	3,735,760	122,603
Unrestricted	(20,875,816)	(16,551,319)	(4,324,497)
Total net position	$ (4,404,052)	$ (4,415,115)	$ 11,063

Current and other assets increased by $4,039,060. The primary reason for this increase was cash, with a corresponding increase in current liabilities. There were also the returns on the investments held for the village's service award programs for firefighters and volunteer ambulance workers.

Capital assets increased by $3,862,687. This is due primarily to work on the Long Wharf project.

Deferred outflows of resources increased by $2,228,422. This was driven primarily by increases in deferred outflows form the NYS Retirement plans.

Current liabilities increased by $5,793,077. This was due to the issuance of BANs for the Long Wharf project ($4,550,000), plus outstanding invoices on the same project.

Non-current liabilities increased by $4,655,929. This was largely due to a significant increase in the proportionate share of the net pension liability for the NYS retirement systems. There was also an increase in the liability of the fire and ambulance LOSAP plans.

Deferred inflows decreased by $329,900. This was the result of changes to actuarial estimates for the NYS Retirement plans.

Currently, the largest portion of the Village's net position reflects its net investment of $12,613,401 in capital assets e.g. land, buildings, improvements and machinery and equipment. Capital assets are used to provide services to citizens; consequently these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net investment in capital assets increased over the prior year by $4,212,957 primarily as a result of work done on the Long Wharf project.

An additional amount of the Village's net position $3,858,363, represents resources that are subject to external restrictions, or enabling legislations on how they may be used. An increase of $122,603 was primarily the result of transfers to the capital reserves. The remaining portion is an unrestricted deficit of $20,875,816, which will be funded by future revenues.

VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		
	2020	2019	Change
Revenues:			
Program Revenues:			
Fees, fines and charges for services	$ 4,183,838	$ 3,876,267	$ 307,571
Operating grants and contributions	158,472	160,640	(2,168)
Capital grants and contributions	159,725	172,330	(12,605)
General Revenues:			
Property taxes	7,576,958	7,085,761	491,197
Non-property tax items	112,783	119,075	(6,292)
State aid	229,729	205,804	23,925
Federal aid	-	19,878	(19,878)
Use of money and property	388,657	250,184	138,473
Other	3,076	37,908	(34,832)
Total revenues	12,813,238	11,927,847	885,391
Program Expenses:			
General government support	2,876,028	2,604,502	271,526
Public safety and judiciary	6,490,507	5,641,736	848,771
Health	737,402	653,009	84,393
Transportation and public works	1,611,887	1,341,842	270,045
Culture and recreation	385,148	573,528	(188,380)
Home and community services	892,737	914,879	(22,142)
Interest on debt	102,236	61,679	40,557
Total expenses	13,095,945	11,791,175	1,304,770
Change in net position	(282,707)	136,672	(419,379)
Net position - beginning (restated)	(4,121,345)	(4,551,787)	430,442
Net position - ending	$ (4,404,052)	$ (4,415,115)	$ 11,063

Revenue Categories:
Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including sewage treatment services, fees for recreational and community events, marina and boating privileges. Revenue contributed by external governments that are restricted to supporting these types of programs are also classified as program grants.

General Revenues – include revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the village. This includes miscellaneous funds that may be generated during the course of the year such as sales on excess vehicles, or insurance property loss claims received, interest earned on low yielding bank accounts and rental properties that are owned by the Village.

Expense Categories:
General – includes expenditures which relate to the overall support of the government.
Public Safety – includes fire protection and safety inspection.
Health – includes ambulance service.
Transportation and Public Works – includes street construction and maintenance, snow removal and related services.
Culture and Recreation – includes the marina, docks, parks and recreational related expenditures.
Home and Community Services – includes garbage, recycling programs and sanitary service.

The Village's revenues increased by $885,391. The most significant variance was an increase in property taxes of $491,197.

The Village's expenses increased by $1,304,770 over the prior year. This represents an increase of about 10%. The most significant increase was for public safety and judiciary - $848,771. This increase was due mostly to rising employee benefit costs.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the Village's governmental funds reported an ending fund balance of $8,990,900, a decrease of $2,056,070 in comparison to the prior year. Of this total amount $(306,080) represents an unassigned fund deficit, which will be funded by future years' resources as they become available.

General Fund - The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General fund was $3,265,632, while total fund balance reached $10,768,392. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32% of total fund expenditures, while total fund balance represents 106% of that total fund expenditures.

The fund balance of the Village's General Fund increased during the current fiscal year by $1,663,142 to $10,768,292.

Sewer Fund - The Sewer Fund captures the operations of sewage treatment services. The ending unassigned fund balance was $378,637 and the total fund balance was $415,312. The total net change was an increase over the prior year of $112,952, which was primarily due to revenues exceeding expenditures.

Capital Projects Fund - The fund balance in the Capital Projects Fund decreased during the current fiscal year by $3,837,743 from a total fund balance of $1,023,892 to an ending fund deficit of $(2,813,851). The significant driver behind this was the expenditures for the Long Wharf project, without any long term financing to offset the expenditures.

Special Revenue Fund - The fund balance increased during the current fiscal year by $5,579 to $621,047 due to interest income earnings on bank balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund - The Village's general fund adopted budget for the year ended May 31, 2020 was $11,474,956. This amount was increased by $240,875 for encumbrances carried forward from the prior year for a total budget of $11,715,831.

The budget was funded through a combination of revenues and transfers. The major funding sources were real property taxes of $7,513,810, intergovernmental charges of $1,428,932, and departmental income of $1,230,345.

Actual revenues and other financing sources were $11,931,796 compared to the revenue budget of $11,324,190 with a positive variance to budget of $607,606. The favorable variance was primarily due to departmental income and investment earnings, offset by decreases in real property taxes and intergovernmental charges.

Actual expenditures (including other financing sources and uses) and encumbrances for the year were $10,297,016 and $342,347, respectively, and were $1,076,468 less than the amended budget. This variance is primarily the result of budgetary savings across all areas.

Sewer Fund - The Village's sewer fund adopted budget for the year ended May 31, 2020 was $788,361. This was increased by $39,281 for prior year encumbrances. Revenues were less than budgeted amounts by $7,887. Expenditures and encumbrances of $642,522 and $21,092, respectively, were less than the adopted budget by $154,028. This was primarily due to overall expenses in running the plant being less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Village's investment in capital assets for its governmental type activities as May 31, 2020, amount to $14,321,126 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, machinery and equipment, and infrastructural assets.

For the year ended May 31 ,	2020	2019
Land	$ 409,354	$ 409,354
Buildings and improvements	3,383,159	3,342,932
Infrastructure	3,665,220	3,807,810
Machinery and equipment	1,625,643	1,285,442
Vehicles	1,340,144	1,612,901
Total	$14,321,126	$10,458,439

Additional information on the Village's capital assets is shown in Note 5 on page 27 of this report.

DEBT ADMINISTRATION

The Village borrows money in order to acquire land or equipment or construct buildings and improvements or infrastructure. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The Village pledges its full faith and credit for the payment of principal and interest. .

For the year ended May 31 ,	2020	2019
General obligation bonds payable	$ 1,170,000	$ 1,400,000
Installment purchase debt	537,725	657,995
Total	$ 1,707,725	$ 2,057,995

Additional information on the Village's outstanding debt is shown in the Note 8 on pages 29 – 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2021 combined budget appropriations are $12,739,156, which is an approximately 4% increase over the current year's budget. Many costs for the Village have continued to rise, including health insurance, general liability/compensation insurances, charges from other governments and other personnel costs. Property tax collections are budgeted to increase by $375,409, about 5%. The forecasted amount of revenues other than property taxes has also increased; however, the Village remains conservative in those forecasts. Those increases result in minimizing the impact of potential tax increases.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Village Clerk-Administrator or the Village Treasurer at the Village of Sag Harbor, PO Box 660, Sag Harbor, NY 11963.

Satty&Partners
SATTY, LEVINE & CIACCO, CPAS, PC
BUSINESS ADVISORS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees of the
Incorporated Village of Sag Harbor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Sag Harbor, New York (the "Village"), as of and for the year ended May 31, 2020 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Sag Harbor, New York, as of May 31, 2020 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Village has restated opening fund balance to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in Village's total OPEB liability and related ratios, the Village's proportionate share of the net pension liability/(asset), the schedule of the Village's contributions – ERS, the schedule of the Village's contributions – PFRS, the schedule of changes in the Village's total pension liability – fire LOSAP and the schedule of changes in the Village's total pension liability – ambulance LOSAP be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Sag Harbor, New York's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Satty, Levine & Ciacco CPAs PC

SATTY, LEVINE, & CIACCO, CPAs, P.C.
Melville, New York
March 16, 2021

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and cash equivalents	$ 6,155,406
Receivables:	
Tax sale certificates	311,794
Accounts receivable	231,488
Due from other governments	38,681
Due from fiduciary fund	499,708
Prepaids	308,741
Restricted assets:	
Cash and cash equivalents	4,228,111
Service award program investments	4,590,296
TOTAL CURRENT ASSETS	16,364,225
NON-CURRENT ASSETS:	
Land and construction in progress	4,306,960
Other capital assets, net of depreciation	10,014,166
TOTAL NON-CURRENT ASSETS	14,321,126
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions - LOSAP	1,237,184
Pensions - NYS Retirement	2,824,038
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,061,222
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 34,746,573
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	$ 1,462,944
Bond interest payable	79,550
Due to other governments	6,940
Due to retirement systems	106,154
Due to fiduciary fund	3,849
Unearned revenues	959,676
Bond anticipation note payable	4,550,000
Current portion of installment purchase debt	123,958
Current portion of general obligation bonds payable	225,000
TOTAL CURRENT LIABILITIES	7,518,071
NON-CURRENT LIABILITIES:	
General obligation bonds payable	945,000
Installment purchase debt	413,767
Net pension liability - proportionate share	4,151,694
Pension liability - LOSAP	8,241,139
Compensated absences	843,332
Post-employment benefits other than pensions	16,402,017
TOTAL NON-CURRENT LIABILITIES	30,996,949
TOTAL LIABILITIES	38,515,020
DEFERRED INFLOWS OF RESOURCES:	
Pensions - LOSAP	474,658
Pensions - NYS Retirement	160,947
TOTAL DEFERRED INFLOWS OF RESOURCES	635,605
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	39,150,625
NET POSITION:	
Net investment in capital assets	12,613,401
Restricted	3,858,363
Unrestricted	(20,875,816)
TOTAL NET POSITION	(4,404,052)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 34,746,573

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

FUNCTIONS/PROGRAMS:	EXPENSES	PROGRAM REVENUES: FEES, FINES AND CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
General government support	$ 2,876,028	$ 3,794	$ -	$ -	$ (2,872,234)
Public safety and judiciary	6,490,507	1,771,042	158,472	16,794	(4,544,199)
Health	737,402	499,862	-	-	(237,540)
Transportation and public works	1,611,887	-	-	142,931	(1,468,956)
Culture and recreation	385,148	1,148,214	-	-	763,066
Home and community services	892,737	760,926	-	-	(131,811)
Interest on debt	102,236	-	-	-	(102,236)
TOTAL GOVERNMENTAL ACTIVITIES	$ 13,095,945	$ 4,183,838	$ 158,472	$ 159,725	(8,593,910)

GENERAL REVENUES:	
Real property taxes	7,576,958
Non-property tax items	112,783
Investment earnings	304,193
Use of property	84,464
Refund of prior year expenses	(1,925)
State aid	229,729
Miscellaneous	1,315
Gain on the disposal of fixed assets	3,686
TOTAL GENERAL REVENUES	8,311,203
CHANGE IN NET POSITION	(282,707)
NET POSITION - BEGINNING (restated)	(4,121,345)
NET POSITION - ENDING	$ (4,404,052)

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BALANCE SHEETS
GOVERNMENTAL FUNDS
MAY 31, 2020

	GENERAL	SEWER	CAPITAL PROJECTS	SPECIAL REVENUE	TOTAL
ASSETS:					
Cash and cash equivalents	$ 4,654,253	$ 1,501,153	$ -	$ -	$ 6,155,406
Tax sale certificates	311,794	-	-	-	311,794
Accounts receivable	108,340	123,148	-	-	231,488
Due from other governments	38,681	-	-	-	38,681
Due from other funds	1,554,511	20,000	1,645,000	-	3,219,511
Due from fiduciary funds	499,708	-	-	-	499,708
Prepaid expenses	296,697	12,044	-	-	308,741
Restricted cash	2,085,235	15,583	1,504,821	622,472	4,228,111
Service award program investments	4,590,296	-	-	-	4,590,296
TOTAL ASSETS	$ 14,139,515	$ 1,671,928	$ 3,149,821	$ 622,472	$ 19,583,736
LIABILITIES:					
Accounts payable and accrued expenses	$ 494,575	$ 29,637	$ 938,731	$ -	$ 1,462,943
Due to other governments	6,940	-	-	-	6,940
Due to retirement systems	101,154	5,000	-	-	106,154
Due to other funds	1,645,000	1,098,145	474,941	1,425	3,219,511
Due to fiduciary funds	3,849	-	-	-	3,849
Unearned revenue	835,842	123,834	-	-	959,676
Bond anticipation note payable	-	-	4,550,000	-	4,550,000
TOTAL LIABILITIES	3,087,360	1,256,616	5,963,672	1,425	10,309,073
DEFERRED INFLOWS OR RESOURCES:					
Tax sale certificates	283,763	-	-	-	283,763
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,371,123	1,256,616	5,963,672	1,425	10,592,836
FUND BALANCES:					
Fund balance - nonspendable	296,697	-	-	-	296,697
Fund balance - restricted:					
Employee Benefit Reserve	732,811	15,583	-	-	748,394
Major Equipment Reserve	297,393	-	-	-	297,393
Vehicle Insurance Reserve	55,414	-	-	-	55,414
Capital Reserves	999,617	-	1,136,498	-	2,136,115
Service awards program	4,590,296	-	-	-	4,590,296
Parks Trust	-	-	-	269,312	269,312
Parking Trust	-	-	-	351,735	351,735
Fund balance - assigned:					
Encumbrances	342,347	21,092	-	-	363,439
Ensuing year's budget	188,185	-	-	-	188,185
Fund balance - unassigned	3,265,632	378,637	(3,950,349)	-	(306,080)
Total Fund Balances	10,768,392	415,312	(2,813,851)	621,047	8,990,900
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 14,139,515	$ 1,671,928	$ 3,149,821	$ 622,472	$ 19,583,736

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION
MAY 31, 2020

TOTAL GOVERNMENTAL FUND BALANCE	$ 8,990,900
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT FROM THE GOVERNMENTAL FUNDS BECAUSE:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	14,321,126
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(79,550)
Property taxes receivable that will be collected in the future, but are not available within 60 days of year end, are deferred in the governmental funds.	283,763
Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds:	
Deferred outflows of resources	2,824,038
Deferred inflows of resources	(160,947)
Net pension liability - proportionate share	(4,151,694)
Long-term liability, and deferred outflows and inflows associated with participation in the LOSAP retirement plans are not current financial resources or obligations and are not reported in the funds:	
Deferred outflows of resources	1,237,184
Deferred inflows of resources	(474,658)
Pension liability	(8,241,139)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet:	
General obligation bonds payable	(1,170,000)
Installment purchase debt	(537,726)
Post-employment benefits other than pensions	(16,402,017)
Compensated absences	(843,332)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (4,404,052)

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2020

	GENERAL	SEWER	CAPITAL PROJECTS	SPECIAL REVENUE	TOTAL
REVENUES:					
Real property taxes	$ 7,437,721	$ -	$ -	$ -	$ 7,437,721
Interest and penalties on taxes	74,838	7,510	-	-	82,348
Utilities gross receipts tax	92,845	-	-	-	92,845
Departmental income	1,535,785	716,199	18,123	-	2,270,107
Intergovernmental charges	1,374,916	-	-	-	1,374,916
Interest, rents and commissions	325,648	11,827	15,593	7,004	360,072
Licenses and permits	45,969	-	-	-	45,969
Fines and forfeitures	493,072	-	-	-	493,072
Sale of property and recoveries	5,001	-	-	-	5,001
Refund of prior years expense	(1,925)	-	-	-	(1,925)
State aid	393,554	-	-	-	393,554
County sales tax	154,372	19,938	-	-	174,310
TOTAL REVENUES	11,931,796	755,474	33,716	7,004	12,727,990
EXPENDITURES:					
General government	2,170,242	-	-	-	2,170,242
Public safety	2,920,919	-	3,941,459	-	6,862,378
Health	431,520	-	-	-	431,520
Transportation	1,015,493	-	-	-	1,015,493
Culture and recreation	343,112	-	-	-	343,112
Home and community services	210,286	528,708	-	1,425	740,419
Employee benefits	2,744,236	102,433	-	-	2,846,669
Debt service:					
Principal	339,859	10,360	-	-	350,219
Interest	51,349	1,021	-	-	52,370
TOTAL EXPENDITURES	10,227,016	642,522	3,941,459	1,425	14,812,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,704,780	112,952	(3,907,743)	5,579	(2,084,432)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	28,362	-	70,000	-	98,362
Operating transfers out	(70,000)	-	(28,362)	-	(98,362)
Proceeds from bonds	-	-	28,362	-	28,362
TOTAL OTHER FINANCING (USES) SOURCES	(41,638)	-	70,000	-	28,362
NET CHANGE IN FUND BALANCES	1,663,142	112,952	(3,837,743)	5,579	(2,056,070)
FUND BALANCES - BEGINNING (restated)	9,105,250	302,360	1,023,892	615,468	11,046,970
FUND BALANCES - ENDING	$ 10,768,392	$ 415,312	$ (2,813,851)	$ 621,047	$ 8,990,900

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

NET CHANGE IN FUND BALANCES- TOTAL GOVERNMENTAL FUNDS		$ (2,056,070)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	4,940,242	
Depreciation expense	(1,077,554)	3,862,688
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net position		
Repayment of principal on bonds and installment debt		350,270
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. The change in the liability is recognized.		(49,867)
On the government-wide statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		(951,901)
Governmental funds report revenues not collected within 60 days of year end as deferred inflows until subsequently collected. These transactions are recorded as revenues when earned in the statement of activities		56,889
Increases or decreases in pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions have no effect on current financial resources and therefore are not reported in the governmental funds:		
Deferred outflows of resources - service award programs	401,567	
Deferred outflows of resources - NYS Retirement	1,826,855	
Deferred inflows of resources - service award programs	24,681	
Deferred inflows of resources - NYS Retirement	305,219	
Pension liability - service award programs	(892,853)	
Net pension liability - proportionate share	(2,978,277)	(1,312,808)
Expenditures related to compensated absences are shown in the governmental funds when the payments are due. In the Statement of Activities, the costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid.		(181,908)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (282,707)

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENTS OF FIDUCIARY NET POSITION
MAY 31, 2020

	AGENCY FUNDS
ASSETS:	
Cash	$ 656,624
Cash - workforce housing	31,825
Due from other funds	3,849
TOTAL ASSETS	$ 692,298
LIABILITIES:	
Deposits	$ 89,270
Due to workforce housing	31,825
Tax sale certificate redemptions	71,495
Due to general fund	499,708
TOTAL LIABILITIES	$ 692,298

See independent auditors' report and notes to the financial statements.

Note 1. Summary of Significant Accounting Policies

A. Organization

The Incorporated Village of Sag Harbor (the "Village") was incorporated in 1924. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, police, fire and ambulance protection, justice court, building department, roads and highways, beach, parks and recreation, marina and docks, and sewage treatment.

The financial statements of the Village were prepared in accordance with generally accepting accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing governmental accounting and financial reporting principles for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

B. Financial Reporting Entity

The Incorporated Village of Sag Harbor is governed by the Village Law and other General Laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

All government activities and functions/programs performed for the Incorporated Village of Sag Harbor are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting consists of (a) the primary government which is the Village (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusions would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

C. Basis of Presentation

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

Government-wide Financial Statements

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. The effect of interfund activity within the governmental column has been removed from these statements.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

1. General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital fund is used to account for financial resources to be used for the acquisition or construction of major capital assets.

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

4. Sewer Fund is used to account for the operations of the sewage treatment plant.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objective is determinations of financial position. All assets and liabilities are included on the Statement of Fiduciary Net Position. These activities are not included in the government-wide financial statements because their resources are not available to be used. The Village has presented a single fiduciary fund consisting of deposits held by the Village in a purely custodial capacity. Since such funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

D. Basis of Accounting

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

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

b. Principal and interest on indebtedness are not recognized as expenditures until due.

c. Compensated absences such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid, or become due and payable.

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgetary Data

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The Village's procedures in establishing the budgetary data reflected in the financial statements are as follows:

a. On or before March 31st, the budget officer prepares estimates for each administrative unit.

b. No later than March 31st, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. This tentative budget includes proposed expenditures and the means of financing for all funds.

c. A public hearing is conducted by the Board of Trustees to obtain comments.

d. No later than May 1st, the Board of Trustees adopts the budget of the Incorporated Village of Sag Harbor.

All modifications of the budget must be approved by the Board of Trustees. However, the Treasurer is authorized to transfer certain budget amounts within departments.

F. Cash and Cash Equivalents

The Village primarily maintains its cash and cash equivalents in individual segregated accounts grouped by fund. All investments with an original maturity of three months or less when purchased are considered cash equivalents. Cash on deposits with financial institutions is collateralized in accordance with state's statutes.

G. Investments

Investments are reported at fair value, and consist of assets held for the Village sponsored service award programs. See Note 8 and 10 for additional disclosures.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

I. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes.

Note 1. Summary of Significant Accounting Policies (continued)

J. Receivables

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

K. Prepaid Items

Prepaid items in the fund and government-wide statements represent expenses paid that will benefit the subsequent period.

L. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets purchased or acquired with an original cost of $500 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost if the actual historical cost is not available. Contributed assets are reported at a fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Infrastructure assets for governmental activities after December 31, 1980, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage system, street lighting and sewer system are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-99 years
Land Improvements	20 years
Infrastructure	25 – 50 years
Machinery and Equipment	5 – 20 years
Vehicles	8 – 10 years

The Village evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. As of May 31, 2020, the Village has not recorded any such impairment losses.

M. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (fund balance) that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. As of May 31, 2020, the Village reported deferred outflows from pension transactions. Deferred outflows from pension transactions represents the difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and the Village's contributions to the pension system subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (fund balance) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports deferred inflows related to pension transactions on the statement of net position. The pension item represents changes in proportion and differences between employer contributions and proportionate share of contributions. On the governmental funds balance sheet, the Village reports tax sale certificates, which represents the deferral of revenue until it is collected.

Note 1. Summary of Significant Accounting Policies (continued)

N. Unearned Revenues

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Village before it has legal claim to them, as when contractual or rental fees are received in advance. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for unearned revenue is removed and revenues are recorded.

O. Compensated Absences

Compensated absences of the Village consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated as of May 31 by all employees.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. Village employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. The accumulation of these benefits which is not due and payable in the current year is calculated based on the current employee policies of the Village, as well as executed union contracts. The accumulated obligation is funded by the Village and is reflected as a restricted reserve balance in the general fund.

P. Other Benefits

Eligible Village employees participate in the New York State Employees' Retirement System and the New York State and Local Police and Fire Retirement System.

In addition to providing pension benefits, the Village provides post-employment health insurance coverage for retired employees. The Village accounts for these postemployment benefits in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in the governmental funds in the year paid.

Q. Restricted Service Award Program Investments

Investments of the Service Award Program for firefighters and the Service Award Program for volunteer ambulance corps are held by Article 11-A and Article 11-AA, respectively, of the General Municipal Law of the State of New York in grantor/rabbi trust accounts in the Village's name. These assets are primarily invested in insurance contracts, mutual funds, corporate bonds and cash. These assets are reported at fair value as discussed in Note 10, and the details of the benefits offered and pension liability associated with the program are discussed in Note 8.

Note 1. Summary of Significant Accounting Policies (continued)

R. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term liabilities are liquidated through future budgetary appropriations of the general fund.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position.

S. Insurance

The Village insures against the liability for most risk including, but not limited to, property damage and personal injury liability. Judgment and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

T. Equity Classifications

Government-wide Statements

In the government-wide statements there are three classes of net position.

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

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

Unrestricted net position – reports all other net position that do not meet the definition of "restricted" or "net investment in capital assets", and are deemed to be available for general use by the Village.

Governmental Fund Statements

In the Fund Statements, governmental fund equity is classified as fund balance and may consist of five classifications under GASB 54. The Village only utilizes the following four:

Nonspendable – The nonspendable fund balance classifications includes amounts that cannot be spent because they are either (a) not in spending form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, including reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund.

Note 1. Summary of Significant Accounting Policies (continued)

Restricted reserves currently in use by the Village include the following:

Employee Benefit Reserve – this reserve is the accumulation of funds which are restricted to the cash outlay to satisfy employee benefits which have been incurred under existing labor contracts and human resource policies adopted by the Village. This reserve is established pursuant to General Municipal Law Section 6-p.

Capital Reserve – the capital reserve is reserved and accumulated for capital improvements, or equipment, which repairs are of a type not recurring annually or at shorter intervals. This reserve is established pursuant to General Municipal Law Section 6-d.

Capital Projects – this reserve represents funds accumulated for the betterment, construction or acquisition of assets for the benefit of the community. Funds are restricted to their intended use by the grantor.

Parkland Trust – the reserve for parkland trust reports funds which are restricted by Village Law Section 7-730 for capital expenditures related to parks, playgrounds, and recreational designated areas.

Parking Trust – the reserve for parking trust reports funds which are restricted for capital expenditures related to parking facilities throughout the Village.

Vehicle Insurance Reserve – this reserve is reserved for future payouts, claims or contingencies that may be incurred against the Village. This reserve was established pursuant to General Municipal Law Section 6-n.

Length of Service Award Program – The Village sponsors length of service award programs for the fire department and the volunteer ambulance corps, as described in Note 8. Those assets, in accordance with GASB Statement No. 73, are to be recorded within the governmental funds of the Village and are restricted by General Municipal Law Article 11-A.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriate to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted at the end of the year.

Unassigned – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

The Board of Trustees shall delegate the Village to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the Village to sign purchase orders.

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

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Note 1. Summary of Significant Accounting Policies (continued)

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

U Newly Adopted Accounting Principles

Effective June 1, 2019, the Village adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related tangible capital assets should recognize a liability based on the guidance in this Statement. The adoption of this standard had no effect on the financial statements.

Effective June 1, 2019, the Village adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This statement will improve the information disclosed in the notes to the financial statements related to indebtedness and clarifies liabilities that arise from contractual obligations. The adoption of this standard is reflected subsequently in notes to these financial statements.

Effective June 1, 2019, the Village early adopted GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.* This statement will clarify existing standards by redefining what constitutes a majority interest and legally separate organizations for purposes of evaluating if the criteria is met for presentation as a component unit. The adoption of this standard had no effect on the financial statements.

V. Prior Period Adjustments

During the year ended May 31, 2020, the following affected the beginning net position and beginning unrestricted fund balance of the Village's financial statements:

An adjustment was made to reflect the effect of correcting a prior year understatement of prepaid expenses and overstatement of expenditures relating to insurance and radio dispatch services	$	293,770

The prior period adjustment is shown as an increase in the beginning fund balance on the Statements of Revenues, Expenditures and Changes in Fund Balance and in the beginning net position on the Statement of Activities

Note 2. Budget Basis of Accounting

The Village Administrator prepares a proposed budget for approval by the Board of Trustees for the General Fund and the Sewer Fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted. During the year, the Board approved prior year encumbrances of $240,875 and appropriations of $150,766 for the general fund and prior year encumbrances of $39,281 and appropriations of $25,000 for the sewer fund.

Note 2. Budget Basis of Accounting (continued)

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Note 3. Real Property Taxes

Village real property taxes are levied annually no later than May 15th, and become a lien on the first day of the levy year. Taxes are collected during the period June 1st to July 1st without penalty or interest. Thereafter penalty and interest are imposed pursuant to the Real Property Tax Law.

After the return of tax warrant and certification to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law.

Note 4. Cash and Investments

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

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100% of the cost of the repurchasing agreement.

Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

Note 4. Cash and Investments (continued)

Deposits
Bank balances for the Village' cash at May 31, 2020 consisted of:

Checking - interest bearing	$	4,450,285
Checking - non-interest bearing		365,702
Money market - interest bearing		6,386,292
Total balances	$	11,202,279
Amount FDIC insured	$	750,000
Collateral held by Village's custodial banks		10,452,279
	$	11,202,279

At May 31, 2020 the cash in banks were entirely collateralized by the FDIC insurance, FHLB/LOC or securities held by the bank, in trust or third party, in the name of the Village.

Investments
The Village participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The pool is authorized to invest in various securities issued by the United States and its agencies. The Village's share of investments at May 31, 2020 was $8,507. This amount represents the cost of the investment pool shares and is considered to approximate market value. These investments are not subject to risk categorization and are not subject to fair market measurement disclosures as they meet the criteria for an external investment pool.

Total investments of the cooperative as of June 30, 2019 were $2,256,570,644, which consisted of $350,918,796 in repurchase agreements and $1,905,651,848 in U.S. Government Treasury Securities. The cooperative also had $235,026,621 in collateralized bank deposits. The New York Cooperative Liquid Asset Securities System (NYCLASS) is rated AAAm by Standard and Poor's Rating Agency. Additional information concerning NYCLASS is presented in the annual report of 2019, available at:

https://www.newyorkclass.org/wp-content/uploads/

Note 5. Changes in Capital Assets

Capital asset transactions for the year ended May 31, 2020 was as follows:

Governmental activities	Beginning Balance	Addition / Transfers	Retirements / Transfers	Ending Balance
Non Depreciable Capital Assets				
Land	$ 409,354	$ -	$ -	$ 409,354
Construction in progress	-	3,897,606	-	3,897,606
Total Non Depreciable Capital Assets	409,354	3,897,606	-	4,306,960
Depreciable Capital Assets				
Buildings	6,310,768	25,043	-	6,335,811
Land improvements	1,686,860	233,876	-	1,920,736
Infrastructure	9,929,529	189,855	-	10,119,384
Machinery and equipment	3,660,604	562,805	-	4,223,409
Vehicles	5,712,119	31,057	-	5,743,176
Total Depreciable Capital Assets	27,299,880	1,042,636	-	28,342,516
Less: Accumulated depreciation for:				
Buildings	3,218,318	152,347	-	3,370,665
Land improvements	1,436,378	66,345	-	1,502,723
Infrastructure	6,121,720	332,444	-	6,454,164
Machinery and equipment	2,375,161	222,605	-	2,597,766
Vehicles	4,099,218	303,814	-	4,403,032
Total Accumulated Depreciation	17,250,795	$ 1,077,555	$ -	18,328,350
Depreciable Capital Assets, Net of Accumulated Depreciation	10,049,085			10,014,166
Total Net Capital Assets	$ 10,458,439			$ 14,321,126

Depreciation expense was charged to governmental functions as follows:

General government support	$ 87,874
Public safety and judiciary	530,331
Health	-
Transportation and public works	277,851
Culture and recreation	61,430
Home and community service	120,069
Total governmental activities depreciation expense	$ 1,077,555

Note 6. Interfund Receivables, Payables and Transfers

Interfund receivables and payables - At May 31, 2020, the statements of the Village include a net of balances due to/from other funds in the amount of $495,859 as detailed below. Receivables in the general fund represent year end expenditures that have not yet been reimbursed, and are short term in nature.

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Fund	$ 499,708
General Fund	Capital Fund	454,941
General Fund	Sewer Fund	1,098,145
General Fund	Special Revenue Fund	1,425
Capital Fund	General Fund	1,645,000
Sewer Fund	Capital Fund	20,000
Fiduciary Fund	General Fund	3,849
Total - Fund Financial Statements		3,723,068
Less: Fund eliminations		(3,227,209)
Total Net Interfund Balances - Government-Wide Statement of Net Position		$ 495,859

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund balances are expected to be repaid in one year.

Interfund transfers – A schedule of interfund transfers for the year ended May 31, 2020, are as follows:

Receiving Fund	Paying Fund	Amount
General Fund	Capital Fund	$ 28,362
Capital Fund	General Fund	70,000
Total - Fund Financial Statements		$ 98,362

The Capital fund made a transfer to the General fund for premiums received on BAN proceeds, as the general fund will be used to liquidate the BAN liability. The transfers to the Capital fund were excess funds in the General fund for emergency services resulting from outlying districts' contributions toward the overall cost of those services. These transferred funds are placed in reserve to help offset future costs of equipment used for emergency services.

Note 7. Short-Term Debt

Liabilities for Bond Anticipation Notes ("BANs") are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each twelve month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. In September 2019, the Village issued a bond anticipation note of $4,000,000 which was used to finance the Long Wharf project. In February 2020, the Village issued an additional bond anticipation note of $550,000 to finance the same project.

The following is an analysis of short-term debt outstanding at May 31, 2020:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
Capital Fund:						
BAN	9/18/2020	2.00%	$ -	$ 4,000,000	$ -	$ 4,000,000
BAN	9/18/2020	1.75%	-	550,000	-	550,000
Total Bond Anticipation Notes			$ -	$ 4,550,000	$ -	$ 4,550,000

Note 8. Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended May 31, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
General obligation bonds	$ 1,400,000	$ -	$ (230,000)	1,170,000	$ 225,000
Installment purchase debt	657,995	-	(120,270)	537,725	123,958
Net pension liability - proportionate share	1,173,417	3,615,200	(636,923)	4,151,694	-
Pension liability - Service Award Programs	7,348,286	1,157,542	(264,689)	8,241,139	
Other post employment benefits	15,450,116	1,414,685	(462,784)	16,402,017	-
Compensated absences	661,425	181,907	-	843,332	-
Totals	$ 26,691,239	$ 6,369,334	$ (1,714,666)	$ 31,345,907	$ 348,958

The general fund has typically been used to liquidate long-term liabilities.

General Obligation Bonds – The Village borrows money in order to acquire land, equipment, to construct roads and other improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the Village. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Note 8. Long-Term Debt (continued)

The following is a schedule of general obligation bonds:

Description	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Amount Outstanding May 31, 2020
2018 Public Improvements	Jul-18	$ 350,000	2.50%-3.00%	6/15/2025	$ 305,000
2013 Public Improvements - Refunding	Feb-13	$ 2,170,000	1.00%-2.00%	4/15/2025	865,000
Total bonds					$ 1,170,000

Future principal and interest payments to maturity are as follows:

Year Ending May 31,	Principal	Interest	Total
2021	$ 225,000	$ 23,516	$ 248,516
2022	225,000	18,688	243,688
2023	225,000	13,813	238,813
2024	220,000	8,988	228,988
2025	220,000	4,125	224,125
Thereafter	55,000	825	55,825
	$ 1,170,000	$ 69,955	$ 1,239,955

Advanced Refunding
During the fiscal year ended May 31, 2013, the Village issued $2,170,000 of refunding serial bonds bearing interest rates of 1.00% to 2.00% that have a final maturity date of April, 15, 2025. The proceeds were placed in an irrevocable trust to provide for all future debt service payments related to the advanced refunding of the following a) $385,000 of the 1999 Public Improvement Serial Bonds plus accrued interest at the time of the defeasance and b) $1,650,000 of the 2004 Public Improvements Serial Bonds plus accrued interest at the time of the defeasance. The remaining amount of the 2013 issuance was utilized for payment of the related ancillary charges inclusive of bond issuance costs and related discount/premiums.

The issuance of new debt and the related payment of principal and interest are recorded in the fund level statements as proceeds of debt and payment to escrow respectively. Accordingly, the aforementioned trust account asset and liability for the defeased bonds are not included in the Village's financial statements. As of May 31, 2020 the 1999 and a portion of the 2004 Public Improvement Bonds are considered defeased. The outstanding principal amount of the defeased bonds is $875,000 as of May 31, 2020.

As a result of the refunding, the Village will decrease its total debt service requirement by $178,972, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of $161,736, or 8% of the principal amount being refunded.

Note 8. Long-Term Debt (continued)

Installment Purchase Debt
Installment purchase debt is comprised of the following:

Description	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Amount Outstanding May 31, 2020
Fire apparatus	Apr-16	$ 910,537	3.10%	6/27/2026	$ 537,725

Future principal and interest payments to maturity are as follows:

Year Ending May 31,	Principal	Interest	Total
2021	$ 123,957	$ 16,725	$ 140,682
2022	127,813	12,870	140,683
2023	53,752	8,895	62,647
2024	55,424	7,223	62,647
2025	57,148	5,499	62,647
2026-2027	119,631	5,612	125,243
	$ 537,725	$ 56,824	$ 594,549

Other Long-Term Liabilities
In addition to the above long term debt, the local government has the following non-current liabilities:

Net pension liability – The Village reports as an asset/liability its proportionate share of the collective net pension asset and/or liability in the New York State & Local Retirement System. Additional information can be found subsequently in these notes.

Pension liability – Service Award Programs – The Village reports as a liability its actuarially determined total pension liability for service award program benefits. Additional information can be found subsequently in these notes.

Compensated Absences – Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts based primarily on length of service and service position. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. As of May 31, 2020 $843,332 of such benefits have been earned and vested. An employee benefit reserve of $732,811 is reported in the general fund and $15,583 in the sewer fund.

Postemployment Benefits – In addition to providing benefits, the Village provides postemployment health insurance coverage for retired employees. Additional information can be found subsequently in these notes.

Note 9. Pension Plans

State Wide Local Government Retirement System

Plan Description

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

Funding Policy

The NYSLRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (both ERS and PFRS) are required to contribute between 3% and 6%, depending on their salary, throughout their active membership. Under the Village of the NYSRSSL, the Comptroller annual certifies the actuarially rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	ERS	PFRS
2020	$ 228,092	$ 408,831
2019	$ 231,500	$ 555,154
2018	$ 225,656	$ 437,041

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At May 31, 2020, the Village reported a total liability of $4,151,694 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2019. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plans relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided by the NYSLRS to the Village.

	ERS	PFRS
Actuarial valuation date	April 1, 2019	April 1, 2019
Net pension liability	1,798,041	2,353,653
Village's portion of the Plan's total net pension liability	0.0067900%	0.0440352%

For the year ended May 31, 2020 the Village recognized pension expense of $1,483,125. At May 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 9. Pension Plans (continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	$ 105,822	$ 156,728	$ -	$ 39,423
Changes in assumptions	36,204	201,180	31,262	-
Net difference between projected and actual investment earnings on pension plan investments	921,764	1,059,924	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,874	192,390	72,190	18,071
Village's contributions subsequent to the measurement date	38,014	68,138	-	-
Total	$ 1,145,678	$ 1,678,360	$ 103,452	$ 57,494

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ended May 31,	ERS	PFRS
2021	$ 160,965	$ 349,228
2022	247,456	361,643
2023	327,169	446,363
2024	268,622	374,424
2025	-	21,070
Thereafter	-	-
	$ 1,004,212	$ 1,552,728

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions.

	ERS	PFRS
Investment rate of return	6.8%	6.8%
COLA	1.3%	1.3%
Salary scale	4.2%	5.0%
Decrement tables	April 1, 2011-March 31, 2015 System's Experience	April 1, 2011-March 31, 2015 System's Experience
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2011 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

Note 9. Pension Plans (continued)

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2011 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected 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 by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 (for both ERS and PFRS) are summarized below.

Asset Type	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	36.00%	4.05%
International equity	14.00%	6.15%
Private equity	10.00%	6.75%
Real estate	10.00%	4.95%
Absolute return strategies	2.00%	3.25%
Opportunistic portfolio	3.00%	4.65%
Real assets	3.00%	5.95%
Bonds and mortgages	17.00%	0.75%
Cash	1.00%	0.00%
Inflation index bonds	4.00%	0.50%
	100.00%	

Discount Rate
The discount rate used to calculate the total pension liability was 6.8% which was a decrease of 0.2% from the discount rate used in the calculation of the total pension liability as of the beginning of the period. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption
The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.8%) or 1% point higher (7.8%) than the current rate:

Note 9. Pension Plans (continued)

	1% Decrease (5.8%)	Current Assumptions (6.8%)	1% Increase (7.8%)
ERS			
Village's proportionate share of the net pension liability/(asset)	$ 3,299,915	$ 1,798,041	$ 414,811
PFRS			
Village's proportionate share of the net pension liability/(asset)	$ 4,208,379	$ 2,353,653	$ 692,703

Pension Plan Fiduciary Net Position
The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	ERS *(Dollars in Thousands)*	PFRS *(Dollars in Thousands)*	Total *(Dollars in Thousands)*
Employers' total pension liability	$ (194,596,261)	$ (35,309,017)	$ (229,905,278)
Plan net position	168,115,682	29,964,080	198,079,762
Employers' net pension assets/(liability)	$ (26,480,579)	$ (5,344,937)	$ (31,825,516)
Ration of plan net position to the employers' total pension liability	86.39%	84.86%	86.16%

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Contributions as of May 31, 2020 represent the projected employer contribution for the period of April 1, 2019 through March 31, 2020 based on estimated ERS and PFRS wages, multiplied by the employer's contribution rate, by tier.

Service Award Programs
The Village financial statements are for the year ended May 31, 2020. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on December 31, 2019, which is the most recent plan year for which complete information is available.

Firefighters
The Village established a defined benefit service award program for the active volunteer firefighters of the Sag Harbor Volunteer Fire Department. The program took effect on January 1, 1994. The program was established pursuant to Article 11-A of the General Municipal Law. The Program provided municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

Volunteer Ambulance Corps
On June 18, 1996, the Village residents authorized the establishment of a defined benefit service award program for active volunteer ambulance workers pursuant to Article 11-AA of the General Municipal Law of New York State, "the Plan", a trust to provide retirement benefits for the participants in the Plan. The office of the State Comptroller acts as administrator of this plan. Any active volunteer ambulance worker who has attained age 18 and completes at least one year of ambulance service by earning 50 response points is eligible to participate as of July 1st. A participant becomes 100% vested in the Plan after reaching five years of service or is awarded total and permanent disability.

Note 9. Pension Plans (continued)

Program Description
Active volunteer firefighters and volunteer ambulance workers who have reached the age of 18 and who have completed 1 year of firefighting or ambulance service are eligible to participate in their respective programs. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of service or upon attaining the program's entitlement age. Each program's entitlement age is age 65. In general, an active volunteer is credited with a year of service for each calendar year after the establishment of the program in which he or she accumulates fifty points.

Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of service rendered prior to the establishment of the program.

Benefits
A participant's benefit under each program is a life annuity with 10 years certain. The amount payable each month equals the accrual rate multiplied by the total number of years of service credit earned by the participant.

Firefighters - the accrual rate is $30 for service credit earned in 2018 and later and $20 for service credit earned prior to 2020. The maximum number of years of service credit a participant may earn under the program is 40 years.

Ambulance workers - the accrual rate was $20 for service credit earned per year. Effective January 1, 2020 the program was amended to increase the monthly accrual rate from $20 to $30 for service credit earned after that date. The maximum number of years of service credit a participant may earn under the program is 40 years.

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

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

Participants Covered by the Benefit Terms
Current membership in the Program is compromised of the following as of the measurement date:

	Firefighters	Ambulance Workers
Inactive participants currently receiving benefit payments	38	5
Inactive participants entitled to but not yet receiving benefit payments	39	14
Active participants	117	23
	194	42

Contributions – New York State General Municipal Law Section 219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village

Trust Assets – Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Note 9. Pension Plans (continued)

Measurement of Total Pension Liability
The total pension liability at the December 31, 2019 measurement date was determined using an actuarial valuation as of that date. The significant assumptions used were as follows:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed
Mortality rates:	RP-2014 Male Mortality Table without projections for mortality improvement

Discount Rate – The discount rate used to measure the total pension liability was 3.26%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Liability

	Firefighters	Ambulance Workers
Balance as of the 12/31/18 measurement date	$ 6,405,815	$ 942,471
Service cost	231,969	42,904
Interest	237,195	35,606
Changes of benefit terms	-	110,986
Changes of assumptions or other inputs	370,819	67,046
Differences between expected and actual experience	88,897	(35,325)
Benefit payments	(242,910)	(14,334)
Net changes	685,970	206,883
Balance as of the 12/31/19 measurement date	$ 7,091,785	$ 1,149,354

Sensitivity of the Total Pension Liability to Changes in the Discount Rate
The following presents the total pension liability of the Village as of the December 31, 2019 measurement date, calculated using the discount rate of 3.26%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.26%) or 1-percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Firefighters			
Total pension liability	$ 8,204,900	$ 7,091,785	$ 6,169,241
Ambulance Workers			
Total pension liability	$ 1,352,942	$ 1,149,354	$ 983,278

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended May 31, 2020, the Village recognized pension expense of $543,128 for the firefighter service award program and $204,098 for the ambulance worker service award program.

Note 9. Pension Plans (continued)

Components of Pension Expense:

	Firefighters	Ambulance Workers
Service Cost	$ 231,969	$ 42,904
Interest on total pension liability	237,194	35,607
Changes of benefit terms	-	110,986
Changes of assumptions or other inputs	38,409	4,525
Differences between expected and actual experience	25,071	2,161
Pension plan administrative expenses	10,485	7,915
Total pension expense	$ 543,128	$ 204,098

At May 31, 2020, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Firefighters	Ambulance Workers	Firefighters	Ambulance Workers
Differences between expected and actual experience	$ 209,456	$ 44,573	$ -	$ 41,937
Changes of assumptions or other inputs	696,573	114,329	374,039	58,682
Benefit payments & administrative expenses subsequent to the measurement date	165,335	6,918	-	-
Total	$ 1,071,364	$ 165,820	$ 374,039	$ 100,619

$165,335 and $6,918 reported as deferred outflows of resources for the firefighters and ambulance workers service award programs, respectively, related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended May 31, 2021.

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

For the years ended May 31,	Firefighters	Ambulance Workers
2021	$ 63,480	$ 6,686
2022	63,480	6,686
2023	63,480	6,686
2024	63,480	6,686
2025	63,480	6,686
Thereafter	214,590	24,854
	$ 531,990	$ 58,284

Note 10. Other Post Employment Benefits - (OPEB)

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

Benefits and Contributions
The Plan provides a specified percentage of the retiree health premiums (and, if applicable, the retiree's spouse's premium) charged by the insurance carrier is paid by the Village. For current retirees the Village pays between 75% - 97% of the Empire premium and reimburses 100% of the Medicare Part B premium for all retirees and their spouses. Spouses are required to pay 100% of the cost of medical benefits following the death of the retired employee. The Village will continue payment of the Medicare Part B reimbursement for survivors that remain in the plan.

At this time there is no New York statute providing local governments with the authority for establishing a postemployment benefits trust. Since the Village cannot fund the OPEB liability at this time, the required contribution is based on a projected pay-as-you-go financing requirement. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended May 31, 2020, the Village recognized a general fund expenditure of $446,487 for currently enrolled retirees.

Employees Covered by Benefit Terms
At May 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit	24
Inactive employees entitled to but not yet receiving benefit	-
Active employees	30
Total	54

Total OPEB Liability and Actuarial Assumptions
The Village's total OPEB liability of $16,402,017 was measured as of May 31, 2020, and was determined by an actuarial valuation report dated November 4, 2019. Calculation of the total OPEB liability was performed using the entry age normal, as a level percentage of salary actuarial cost method. The following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.65% as of June 1, 2018
Projected salary increases	2.0%
Healthcare cost trend rates	5.72% – 9.5% in the first year gradually decreasing per year, to an ultimate rate of 5.0%

The discount rate was based on the 20 Year AA Municipal General Obligation Bond rate Index.

Mortality rates are in accordance with the SOA RP-2014 Total Dataset. Mortality improvements are projected using SOA Scale MP-2018.

Note 10. Other Post-Employment Benefits - (OPEB) (continued)

Changes In The Total OPEB Liability

Balance at June 1, 2019	$	15,450,116
Changes for the year:		
Service cost		859,202
Interest		555,483
Benefit payments		(462,784)
Net changes		951,901
Balance at May 31, 2020	$	16,402,017

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.65%) or 1% higher (4.65%) than the current discount rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	$ 17,924,127	$ 16,402,017	$ 15,243,187

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend
The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the baseline rates (year one) discussed in the earlier table:

	1% Decrease	Current Medical Inflation Rate	1% Increase
Total OPEB liability	$ 13,432,392	$ 16,402,017	$ 20,295,449

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
The total OPEB expense for the year ended May 31, 2020 was $1,414,685. At May 31, 2020, the Village did not report any deferred outflows or deferred inflows of resources related to OPEB.

Note 11. Fair Value Measurements

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Village has the ability to access.

Level 2 – Inputs to the valuation methodology include:
- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 11. Fair Value Measurements (continued)

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 – Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

Equity Mutual Funds: Reported at current quoted fair values.

Investment Contracts: Measured at contract value, which approximates fair value. The contract value equals the accumulated cash contributions and interest credited to the contract, less any withdrawals.

Pooled Investment Securities: The Village is a participant in a pooled investment account whose underlying securities are generally composed of corporate bonds, mutual funds and individual securities that trade on public markets. The pooled investment account overall value is calculated using quoted market prices for the underlying investments, The pool administrator allocates investment income, and accounts for contributions and withdrawals of each individual participant.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table summarizes as of May 31, 2020, the investments held for the Village's service award programs, and categorization with the fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
Cash held for investment purposes	$ 93,673	$ -	$ -	$ 93,673
Equity mutual funds	1,235,840	-	-	1,235,840
Investment contracts with insurance companies	-	2,559,682	-	2,559,682
Share of pooled investment	-	701,101	-	701,101
	$ 1,329,513	$ 3,260,783	$ -	$ 4,590,296

Note 12. Commitments and Contingences

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

Note 12. Commitments and Contingences (continued)

Tax Certiorari
There are presently pending against the Village of Sag Harbor a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The finance exposures in these cases are indeterminable at this time.

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

Note 13. Subsequent Events

The Village has evaluated events and transactions that occurred through March 16, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

The Village's operations will be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, has been declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on the Village's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Village's revenue, labor workforce, and the decline in the value of property and equipment owned by the Village.

On September 17, 2020, the Village closed on a bond anticipation note for $4,550,000.

Note 14. Recent Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2019. The Village is in the process of evaluating the impact of this standard on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases,* (amended by GASB issued Statement No. 95). This standard will improve consistency in accounting and financial reporting for leases by governments as well as requiring the recognition of certain lease assets and liabilities that were previously classified as operating leases. The requirements of this standard are effective for the Village for periods beginning after June 15, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* (amended by GASB issued Statement No. 95). This standard will establish accounting requirements for interest cost incurred before the end of a construction period that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements of this standard are effective for the Village for periods beginning after December 15, 2020.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations,* (amended by GASB issued Statement No. 95). The primary objective of this Statement is to provide a single method of reporting conduit debt obligations, thereby reducing diversity in practice and improving consistency and comparability in financial statements. In addition, this standard will address arrangements that are often characterized as leases and have associated conduit debt obligations. The requirements will outline when such arrangements should not be treated as a lease and provide for the appropriate accounting treatment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Note 14. Recent Accounting Pronouncements (continued)

In January 2020, GASB issued Statement No. 92, *Omnibus 2020,* (amended by GASB issued Statement No. 95). The primary objective of this Statement was address certain practice issues that were noted in the application of previously issued standards by enhancing terminology and clarifying various requirements in the originally issued pronouncements. The overall objective of this standard is to provide consistency and comparability in the accounting and financial reporting of issuers across the industry. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates,* (amended by GASB issued Statement No. 95). The primary objective of this Statement was to address changes in the global financial markets that replaced LIBOR with a new globally acceptable benchmark. This standard provides guidance that will ease the transition for certain existing agreements which reference LIBOR to recognize the new globally identified benchmark as a reference rate, provided those agreements meet criteria set forth in the standard. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public partnerships and Availability Payment Arrangements.* This statement supersedes GASB Statement No. 60, in addition to amendments of various paragraphs in previously issued standards. This standard is designed to improve the comparability of financial statements among governments that enter into PPPs and APAs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This statement provides a definition for SBITs and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

The Village is currently evaluating the impact, if any, of the above pronouncements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
MAY 31, 2020

	Fire Department Reserve	Ambulance Reserve	Sewer Reserve	Emergency Management Reserve	Waterfront Projects Reserve	Total
ASSETS:						
Cash and cash equivalents - restricted	$ 351,865	$ 299,427	$ 258,560	$ 535,319	$ 59,650	$ 1,504,821
Due from other funds	149,630	16,638	-	-	1,478,732	1,645,000
TOTAL ASSETS	$ 501,495	$ 316,065	$ 258,560	$ 535,319	$ 1,538,382	$ 3,149,821
LIABILITIES:						
Accounts payable	$ -	$ -	$ -	$ -	$ 938,731	$ 938,731
Bond anticipation note payable	-	-	-	-	4,550,000	4,550,000
Due to other funds	-	-	20,000	454,941	-	474,941
TOTAL LIABILITIES	-	-	20,000	454,941	5,488,731	5,963,672
FUND BALANCES:						
Restricted:						
Capital projects	501,495	316,065	238,560	80,378	(3,950,349)	(2,813,851)
TOTAL FUND BALANCES	501,495	316,065	238,560	80,378	(3,950,349)	(2,813,851)
TOTAL LIABILITIES AND FUND BALANCES	$ 501,495	$ 316,065	$ 258,560	$ 535,319	$ 1,538,382	$ 3,149,821

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED MAY 31, 2020

	Fire Department Reserve	Ambulance Reserve	Sewer Reserve	Emergency Management Reserve	Waterfront Projects Reserve	Total
REVENUES:						
Interest earnings	$ 3,556	$ 2,431	$ 2,910	$ 6,023	$ 673	$ 15,593
Departmental income	18,123	-	-	-	-	18,123
TOTAL REVENUES	21,679	2,431	2,910	6,023	673	33,716
EXPENDITURES:						
Capital outlay	-	2,633	-	-	3,938,826	3,941,459
TOTAL EXPENDITURES	-	2,633	-	-	3,938,826	3,941,459
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,679	(202)	2,910	6,023	(3,938,153)	(3,907,743)
OTHER FINANCING SOURCES:						
Operating transfers out	-	-	-	-	(28,362)	(28,362)
Operating transfers in	55,000	15,000	-	-	-	70,000
Premiums on debt issued	-	-	-	-	28,362	28,362
TOTAL OTHER FINANCING SOURCES	55,000	15,000	-	-	-	70,000
NET CHANGE IN FUND BALANCE	76,679	14,798	2,910	6,023	(3,938,153)	(3,837,743)
FUND BALANCE - BEGINNING	424,816	301,267	235,650	74,355	(12,196)	1,023,892
FUND BALANCE - ENDING	$ 501,495	$ 316,065	$ 238,560	$ 80,378	$ (3,950,349)	$ (2,813,851)

See independent auditor's report and notes to financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2020

	Original Budget	Modified Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:					
Real property taxes	$ 7,513,810	$ 7,513,810	$ 7,437,721		$ (76,089)
Interest and penalties on taxes	60,000	60,000	74,838		14,838
Utilities gross receipts tax	80,000	80,000	92,845		12,845
Departmental income	1,230,345	1,230,345	1,535,785		305,440
Intergovernmental charges	1,428,932	1,428,932	1,374,916		(54,016)
Interest, rents and commissions	88,071	88,071	325,648		237,577
Licenses and permits	28,000	28,000	45,969		17,969
Fines and forfeitures	383,000	383,000	493,072		110,072
Sale of property and recoveries	3,500	3,500	5,001		1,501
Refund of prior years expense	-	-	(1,925)		(1,925)
Miscellaneous local sources	5,000	5,000	-		(5,000)
State aid	298,532	298,532	393,554		95,022
County sales tax	154,000	154,000	154,372		372
TOTAL REVENUES	11,273,190	11,273,190	11,931,796		658,606
OTHER FINANCING SOURCES:					
Transfer from other funds	51,000	51,000	-		(51,000)
TOTAL REVENUES AND OTHER SOURCES	11,324,190	11,324,190	$ 11,931,796		$ 607,606
APPROPRIATED RESERVES:					
Prior year encumbrances	240,875	240,875			
Appropriated fund balance	150,766	150,766			
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 11,715,831	$ 11,715,831			

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2020

	Original Budget	Modified Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES:					
General Government	$ 2,641,717	$ 2,511,717	$ 2,170,242	$ 59,464	$ 282,011
Public Safety	3,166,886	3,166,886	2,920,919	200,458	45,509
Health	501,282	501,282	431,520	4,258	65,504
Transportation	930,389	1,060,389	1,015,493	36,579	8,317
Culture and Recreation	397,529	357,529	343,112	9,240	5,177
Home and Community Services	208,307	248,307	210,286	32,348	5,673
Employee Benefits	3,352,960	3,352,960	2,744,236	-	608,724
Debt service:					
Principal	340,412	340,412	339,859	-	553
Interest	51,349	51,349	51,349	-	-
TOTAL EXPENDITURES	11,590,831	11,590,831	10,227,016	342,347	1,021,468
OTHER FINANCING USES:					
Transfer to other funds	125,000	125,000	70,000	-	55,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 11,715,831	$ 11,715,831	$ 10,297,016	$ 342,347	$ 1,076,468

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
SEWER FUND
FOR THE YEAR ENDED MAY 31, 2020

	Original Budget	Modified Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:					
Interest and penalties on taxes	$ -	$ -	$ 7,510		$ 7,510
Departmental income	742,923	742,923	716,199		(26,724)
Interest, rents and commissions	500	500	11,827		11,327
County sales tax	19,938	19,938	19,938		-
TOTAL REVENUES	763,361	763,361	755,474		(7,887)
OTHER FINANCING SOURCES					
Transfer from other funds	-	-	-		-
TOTAL REVENUES AND OTHER SOURCES	763,361	763,361	$ 755,474		$ (7,887)
APPROPRIATED RESERVES:					
Prior year encumbrances	39,281	39,281			
Appropriated fund balance (budgetary)	25,000	25,000			
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 827,642	$ 827,642			
EXPENDITURES:					
Home and Community Services	$ 662,709	$ 662,709	$ 528,708	$ 21,092	$ 112,909
Employee Benefits	143,500	143,500	102,433	-	41,067
Debt service:					
Principal	10,360	10,360	10,360	-	-
Interest	1,073	1,073	1,021	-	52
TOTAL EXPENDITURES	817,642	817,642	642,522	21,092	154,028
OTHER FINANCING USES:					
Transfer to other funds	10,000	10,000	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 827,642	$ 827,642	$ 642,522	$ 21,092	$ 154,028

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
FOR THE YEAR ENDED MAY 31, 2020

	2020	2019
Total OPEB Liability		
Service cost	$ 859,202	$ 828,945
Interest	555,483	522,741
Benefit payments	(462,784)	(446,487)
Net Change In Total OPEB Liability	951,901	905,199
Total OPEB Liability - Beginning	15,450,116	14,544,917
Total OPEB liability - Ending (a)	16,402,017	15,450,116
Plan Fiduciary Net Position (b)	*N/A	*N/A
Village's Net OPEB Liability - Ending (a) - (b)	$ 16,402,017	$ 15,450,116
Plans Fiduciary Net Position As A Percentage Of The Total OPEB Liability	0%	0%
Covered-employee Payroll	$ 3,404,487	$ 3,337,732
Village's Net OPEB Liability As A Percentage Of Covered-employee Payroll	481.78%	462.89%

*N/A - Current regulations do not permit the Village to fund the OPEB obligation, it is a "pay-as-you-go" and no assets accumulate

Notes to Schedule:

Plan Assets:

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

This schedule is shown on a prospective basis from the year GASB Statement No. 75 is adopted until 10 years of information is presented.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
MAY 31, 2020

NYSLRS Pension Plan	2020	2019	2018	2017	2016
Village's proportion of the net pension liability					
ERS	0.0061321%	0.0061321%	0.0065476%	0.0064914%	0.0052644%
PFRS	0.0440615%	0.0440615%	0.0442402%	0.0465018%	0.0514393%
Village's proportionate share of the net pension liability					
ERS	$ 1,798,041	$ 434,478	$ 211,320	$ 609,949	$ 844,951
PFRS	2,353,653	738,939	447,160	963,821	1,523,009
	4,151,694	1,173,417	658,480	1,573,770	2,367,960
Village's covered-employee payroll					
ERS	$ 1,676,647	$ 1,551,920	$ 1,525,782	$ 1,355,841	$ 1,168,309
PFRS	1,830,070	1,657,890	1,837,868	1,691,765	1,662,831
	3,506,717	3,209,810	3,363,650	3,047,606	2,831,140
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll					
ERS	107.24%	28.00%	13.85%	44.99%	72.32%
PFRS	128.61%	44.57%	24.33%	56.97%	91.59%
Plan fiduciary net position as a percentage of the total pension liability					
ERS	86.39%	96.27%	98.24%	94.70%	90.68%
PFRS	84.86%	95.09%	96.93%	93.50%	90.24%

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK-STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF VILLAGE'S CONTRIBUTIONS - ERS
FOR THE YEAR ENDED MAY 31, 2020

NYSLRS Pension Plan	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 228,092	$ 231,500	$ 225,656	$ 202,331	$ 229,183	$ 201,185	$ 214,641	$ 165,829	$ 153,565	$ 99,133
Contributions in relation to the contractually required contribution	228,092	231,500	225,656	202,331	229,183	201,185	214,641	165,829	153,565	99,133
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 1,676,647	$ 1,551,920	$ 1,525,782	$ 1,355,841	$ 1,168,309	$ 1,079,752	$ 1,088,978	$ 855,203	$ 843,203	$ 806,102
Contributions as a percentage of covered-employee payroll	13.6%	14.9%	14.8%	14.9%	19.6%	18.6%	19.7%	19.4%	18.2%	12.3%

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK-STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF VILLAGE'S CONTRIBUTIONS - PFRS
FOR THE YEAR ENDED MAY 31, 2020

NYSLRS Pension Plan	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 408,831	$ 555,154	$ 437,041	$ 397,882	$ 485,418	$ 277,868	$ 417,048	$ 438,727	$ 378,720	$ 224,234
Contributions in relation to the contractually required contribution	408,831	555,154	437,041	397,882	485,418	277,868	417,048	438,727	378,720	224,234
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 1,830,070	$ 1,657,890	$ 1,837,868	$ 1,691,765	$ 1,662,831	$ 1,360,431	$ 2,075,802	$ 1,783,300	$ 1,750,146	$ 1,581,115
Contributions as a percentage of covered-employee payroll	22.3%	33.5%	23.8%	23.5%	29.2%	20.4%	20.1%	24.6%	21.6%	14.2%

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY - FIRE LOSAP (unaudited)
MAY 31, 2020

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 231,969	$ 241,438	$ 209,006
Interest	237,194	209,746	215,564
Changes of assumptions or other inputs	370,819	(467,549)	509,934
Differences between expected and actual experience	88,897	121,196	45,362
Benefit payments	(242,910)	(190,233)	(179,975)
Net change in total pension liability	685,969	(85,402)	799,891
Total Pension Liability - Beginning	6,405,815	6,491,217	5,691,326
Total Pension Liability - Ending	$ 7,091,784	$ 6,405,815	$ 6,491,217
Covered - employee payroll	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

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

Notes to Required Supplementary Information

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

December 31, 2016: 3.71%
December 31, 2017: 3.16%
December 31, 2018: 3.64%
December 31, 2019: 3.26%

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

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY - AMBULANCE LOSAP (unaudited)
MAY 31, 2020

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 42,904	$ 34,537	$ 34,198
Interest	35,607	29,632	30,523
Changes of benefit terms	110,986	-	-
Changes of assumptions or other inputs	67,046	(76,199)	75,161
Differences between expected and actual experience	(35,325)	57,878	(13,780)
Benefit payments	(14,334)	(13,123)	(9,753)
Net change in total pension liability	206,884	32,725	116,349
Total Pension Liability - Beginning	942,471	909,746	793,397
Total Pension Liability - Ending	$ 1,149,355	$ 942,471	$ 909,746
Covered - employee payroll	N/A	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

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

Notes to Required Supplementary Information

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

December 31, 2016: 3.71%
December 31, 2017: 3.16%
December 31, 2018: 3.64%
December 31, 2019: 3.26%

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

APPENDIX C

FORM OF BOND COUNSEL OPINION

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

September , 2021

The Board of Trustees of the
Village of Sag Harbor, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Sag Harbor (the "Village"), in the County of Suffolk, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $4,230,000 Bond Anticipation Notes – 2021 (the "Notes") of the Village dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Village will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Village represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Village's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Village with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule.

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

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

"Issuer" shall mean the Village of Sag Harbor, in the County of Suffolk, a municipal corporation of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of June 17, 2021.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

"Securities" shall mean the Issuer's **$4,230,000 Bond Anticipation Note-2021**, dated September 16, 2021, maturing September 16, 2022, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

(vii) modifications to rights of Securities holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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

(xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Village, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 16, 2021.**

VILLAGE OF SAG HARBOR, NEW YORK

By: _____
Village Treasurer