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April 27, 2018

The Honorable Supervisor and Town Board  
Town of Southampton  
Southampton, New York

We have audited the financial statements of the Town of Southampton Community Preservation Fund (Community Preservation Fund) for the year ended December 31, 2017, and have issued our report thereon April 27, 2018. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated October 5, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Community Preservation Fund. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Community Preservation Fund's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Our Responsibility for Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Community Preservation Fund audited financial statements does not extend beyond the financial information identified in our report and we have no professional obligation to perform procedures to corroborate such other information. In the event the financial statements are incorporated into a printed document, please forward a printer's proof for our approval before final production.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 7, 2018. This included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested. Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Community Preservation Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Community Preservation Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The disclosures in the financial statements are neutral, consistent and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to communicate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no misstatements identified for which we proposed corrections.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Community Preservation Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Community Preservation Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Town Board, and management of the Town of Southampton and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Cullen & Danowski, LLP*

Cullen & Danowski, LLP

**TOWN OF SOUTHAMPTON  
COMMUNITY PRESERVATION FUND  
*(A Special Revenue Fund of  
the Town of Southampton, New York)***

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**For the Year Ended December 31, 2017**

**TOWN OF SOUTHAMPTON  
COMMUNITY PRESERVATION FUND  
(A Special Revenue Fund of the Town of Southampton, New York)  
December 31, 2017**

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**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements (Regulatory Basis)</b>	
Balance Sheet – Community Preservation Fund and Account Groups	3
Statement of Revenues, Expenditures and Changes in Fund Balance – Community Preservation Fund	4
Notes to Financial Statements	5
<b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards</b>	13

## INDEPENDENT AUDITOR'S REPORT

The Honorable Supervisor and Town Board  
Town of Southampton  
Southampton, New York

### Report on the Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Town of Southampton Community Preservation Fund, which comprise the balance sheet of the Community Preservation Fund and account groups as of December 31, 2017, and the related statement of revenues, expenditures and changes in fund balance of the Community Preservation Fund for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by the Town of Southampton, on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Southampton Community Preservation Fund, as of December 31, 2017, or changes in financial position thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental funds and account groups of the Town of Southampton Community Preservation Fund as of December 31, 2017, and the changes in financial position of the governmental fund types for the year then ended in conformity with the financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of the Town of Southampton Community Preservation Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Southampton Community Preservation Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Southampton Community Preservation Fund's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

April 27, 2018

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**BALANCE SHEET - COMMUNITY PRESERVATION FUND AND ACCOUNT GROUPS**  
**December 31, 2017**

	Governmental Fund Types		Account Groups	
	Community Preservation Fund Operating	Capital	Non-Current Governmental Assets	Liabilities
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets</b>				
Cash and cash equivalents, restricted	\$ 66,523,472	\$ 5,112,552	\$	\$
Accounts receivable, net				
Prepaid expenses	3,181			
Due from other governments	9,321,649			
Due from other Town funds	1,719			
Capital assets			652,948,982	
	<u>75,850,021</u>	<u>5,112,552</u>	<u>652,948,982</u>	<u>-</u>
<b>Other Debits</b>				
Amount to be provided for retirement of general long-term debt				34,665,358
				<u>34,665,358</u>
<b>Total Assets and Other Debits</b>	<u>\$ 75,850,021</u>	<u>\$ 5,112,552</u>	<u>\$ 652,948,982</u>	<u>\$ 34,665,358</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 72,519	\$ 15,148	\$	\$
Bonds payable				34,665,358
	<u>72,519</u>	<u>15,148</u>	<u>-</u>	<u>34,665,358</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	3,285			
	<u>3,285</u>			
<b>Fund Balance</b>				
Investment in capital assets			652,948,982	
Restricted	75,774,217	5,097,404		
	<u>75,774,217</u>	<u>5,097,404</u>	<u>652,948,982</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balance</b>	<u>\$ 75,850,021</u>	<u>\$ 5,112,552</u>	<u>\$ 652,948,982</u>	<u>\$ 34,665,358</u>

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**COMMUNITY PRESERVATION FUND**  
**For the Year Ended December 31, 2017**

	Governmental Fund Types	
	Community Preservation Fund Operating	Capital
<b>REVENUES</b>		
Real estate transfer tax	\$ 56,540,098	\$
Interest income	679,525	
Other income	2,839	
	<u>57,222,462</u>	<u>-</u>
<b>EXPENDITURES</b>		
Land purchases	43,382,690	
Salaries	353,877	
Employee benefits	136,551	
Property taxes	162,784	
Payments in lieu of taxes	4,851,995	
Property maintenance	557,298	
Capital restoration expenses		482,995
Water quality improvement	50,384	
Other expenses	295,968	
Debt service		
Principal	4,292,098	
Interest	1,461,733	
	<u>55,545,378</u>	<u>482,995</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	980,000	2,178,157
Operating transfers out	<u>(2,178,157)</u>	<u>(980,000)</u>
	<u>(1,198,157)</u>	<u>1,198,157</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	478,927	715,162
<b>Fund Balance, Beginning of Year</b>	<u>75,295,290</u>	<u>4,382,242</u>
<b>Fund Balance, End of Year</b>	<u>\$ 75,774,217</u>	<u>\$ 5,097,404</u>

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Southampton Community Preservation Fund (Community Preservation Fund) was created by Section 64-e of New York State Town Law during 1999. The Community Preservation Fund is a special revenue fund of the Town of Southampton, New York (Town) and is governed by the Town Board. These financial statements have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Community Preservation Fund are as follows:

**A. Organization and Background**

The Community Preservation Fund is supported by revenues from a 2% real estate transfer tax imposed by the Town pursuant to Article 31-D of New York State Tax Law. The authority to levy and collect the tax expires on December 31, 2050. This revenue is used to purchase farmland, open space, and other real property for the purpose of land preservation, to provide a management and stewardship program for such purchases, and to implement water quality improvement projects. Since inception, the Community Preservation Fund has received revenues, and has made related purchases of land, of approximately \$653 million, and has protected over 4,300 acres of land throughout the Town. The Town has become a leader in land preservation with the assistance of some matching funds from Suffolk County, New York State, and the federal government. An additional \$30 million was made available under a state low-interest, short-term loan program, further enhancing the Town's ability to purchase land in an ever-increasing competitive real estate market. The Town has also authorized bonds to advance its purchasing ability, which is expected to be supported by future revenues of the Community Preservation Fund through the year 2050. The Community Preservation Fund program advances the Town's goals in farmland and open space preservation, protection of historical sites, and establishment of parks and recreation areas and for water quality improvement projects.

**B. Basis of Presentation**

These financial statements only report the operations and related transactions of the Community Preservation Fund; whereby the Annual Financial Report Update Document (AFRUD), required to be filed annually by the Town with the New York State Office of the State Comptroller (OSC), includes all Town funds.

Management believes it is the intent of the legislation for the Community Preservation Fund to report on a basis which includes capital operations and account group balances. Therefore, management has included capital operations in the statement of revenues, expenditures, and changes in fund balance and presented the Community Preservation Fund's portion of the non-current governmental assets and non-current governmental liabilities account groups in its balance sheet. The statement of revenues, expenditures, and changes in fund balance has been presented so the operations and the capital projects activity related to the Community Preservation Fund are presented separately. Capital projects activity includes the rehabilitation of certain real property on land previously purchased for conservation purposes.

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**D. Fund Accounting**

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of governmental funds is upon determination of financial position and changes in financial position. The Community Preservation Fund is reported as a special revenue fund (governmental fund type) of the Town.

Special Revenue Fund - Accounts for all resources required by law or good accounting practice to be accounted for in another fund, other than the General Fund. It operates within the financial limits of an annual budget adopted by the Town Board. Revenues are classified by source. Expenditures are classified separately to show the amounts expended for personal services, capital outlay, contractual, debt service and other expenditures, and other special items for which a separate classification is desired. This activity is reflected in the Community Preservation Fund - Operating column in the financial statements.

Capital Projects Fund - Accounts for the receipt and disbursement of resources for the construction and rehabilitation of capital assets. This activity is reflected in the Community Preservation Fund - Capital column in the financial statements.

Non-current Governmental Assets - Accounts established to account for capital assets of a government not accounted for by specific proprietary funds or fiduciary funds. Land and other interests in real property in these financial statements represent only amounts purchased by the Community Preservation Fund for the purposes of preservation.

Non-current Governmental Liabilities - Accounts established to account for the outstanding general long-term debt and liabilities of a government, which is not recorded as a liability in another fund. This account group within these financial statements includes only the debt issued by the Town for the purchase of land to be preserved.

**E. Cash and Cash Equivalents, Restricted**

Cash consists of funds deposited in demand accounts, time deposit accounts, and certificates of deposit with maturities of less than three months. Cash balances of the Community Preservation Fund are restricted as their use is restricted by contractual agreements and regulations.

State statutes and Town policy govern the Community Preservation Fund's deposit and investment policies. Community Preservation Fund monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Community Preservation Fund is authorized to use demand accounts, time deposit accounts, and certificates of deposit. Permissible investments under State statute include obligations of the U.S. Treasury, U.S. agencies repurchase agreements, and obligations of New York State or its localities.

The Community Preservation Fund's investment policy and State statutes require all deposits in excess of FDIC insurance to be collateralized. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State, municipalities, and school districts.

At December 31, 2017, all deposits were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf.

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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**F. Capital Assets**

Capital assets are composed of vehicles, land, and other interests purchased for preservation, which includes some properties containing historical buildings. These assets are recorded at cost. Under the modified accrual basis, no depreciation expense is recorded on any of the vehicles or buildings. Expenditures made to restore any of the buildings are capitalized in the non-current government assets account group, and normal maintenance costs are not capitalized.

**G. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Community Preservation Fund has one item that qualifies for reporting in this category, which is unavailable revenue reported in the fund when the potential revenue does not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, the unavailable revenue is reclassified as revenue.

**H. Fund Balance**

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specified purpose, but are not restricted or committed in any manner.

*Unassigned* - The residual amount in the General Fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

**TOWN OF SOUTHAMPTON  
COMMUNITY PRESERVATION FUND  
(A Special Revenue Fund of the Town of Southampton, New York)  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**I. Real Estate Transfer Tax**

During November 1998, the residents of the Town approved a 2% real estate transfer tax to fund the operations of the Community Preservation Fund. The transfer tax became effective April 1, 1999. Transfer tax receipts are used for the purchase and/or preservation of agricultural land, open space, parks, or historic preservation sites. In 2016, the residents of the Town approved an extension of the transfer tax through December 31, 2050, and the allowance of up to 20% of the annual fund to be used for water quality improvement projects. The tax applies to sales of vacant land in excess of \$100,000 and sales of improved land in excess of \$250,000. Conveyance of real property for open space, parks, or historic preservation purposes is exempt from this tax, as well as first time homebuyers who meet specific criteria.

**J. Subsequent Events**

The Community Preservation Fund has evaluated subsequent events for potential recognition or disclosure through April 27, 2018, the date the financial statements were available to be issued.

**2. DUE FROM OTHER GOVERNMENTS**

At December 31, 2017, the Community Preservation Fund was due from Suffolk County, related to unremitted real estate transfer taxes. The balance was fully collected.

**3. CAPITAL ASSETS**

The change in the Community Preservation Fund's capital assets is as follows:

	Beginning Balance January 1, 2017	Acquisitions & Related Costs	Disposals	Ending Balance December 31, 2017
Land and other interests in real property	\$ 607,693,458	\$ 45,231,401	\$ -	\$ 652,924,859
Vehicles	24,123			24,123
	<u>\$ 607,717,581</u>	<u>\$ 45,231,401</u>	<u>\$ -</u>	<u>\$ 652,948,982</u>

**4. FUND BALANCE**

The specific purposes that comprise the classification of fund balance are as follows:

	Community Preservation Fund	Capital Projects Fund	Total
Restricted for:			
Community preservation operations	\$ 69,989,053	\$ -	\$ 69,989,053
Debt service	5,785,164		5,785,164
Restoration capital projects		5,097,404	5,097,404
	<u>\$ 75,774,217</u>	<u>\$ 5,097,404</u>	<u>\$ 80,871,621</u>

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. INDEBTEDNESS**

A summary of the changes in bonds payable and the installment purchase obligation is as follows:

	Beginning Balance January 1, 2017	Issued	Principal Payments	Ending Balance December 31, 2017
Bonds payable	\$ 38,957,456	\$ -	\$ (4,292,098)	\$ 34,665,358

**A. Bonds Payable**

The Community Preservation Fund borrows money in order to acquire land and other interests in real property. This policy enables the cost of the land and other interests in real property to be borne by the present and future taxpayers receiving the benefit. These long-term liabilities, which are guaranteed by the Town, are reported in the Non-Current Governmental Liabilities Account Group. The provisions to be made in future budgets for this indebtedness represent the amount, exclusive of interest, to be paid from future revenues of the Town.

A summary of the bonds outstanding is as follows:

Description	Date Issued	Original Issue Amount	Interest Range Rate	Matures	Outstanding at December 31, 2017
Land acquired for preservation	3/13/03	\$ 872,552	1.0-4.5%	3/13/20	\$ 165,000
Land acquired for preservation	1/15/09	20,000,000	3.0-4.4%	12/15/30	13,400,000
Land acquired for preservation	4/15/09	20,000,000	3.0-4.5%	4/1/30	13,400,000
Refunding bond, land acquired for preservation	10/1/12	9,270,000	2.0-5.0%	10/1/20	3,670,000
Refunding bond, land acquired for preservation	5/15/14	3,950,000	4.0-4.2%	11/15/20	2,995,000
Refunding bond, land acquired for preservation	9/4/14	2,027,570	2.0-5.0%	11/1/20	1,035,358
					<u>\$ 34,665,358</u>

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Aggregate maturities of bond debt service are as follows:

For the year ending December 31,	Principal	Interest	Total
2018	\$ 4,477,098	\$ 1,308,067	\$ 5,785,165
2019	4,506,456	1,156,590	5,663,046
2020	4,681,804	923,037	5,604,841
2021	2,000,000	853,062	2,853,062
2022	2,000,000	775,562	2,775,562
2023 - 2027	10,400,000	2,653,219	13,053,219
2028 - 2030	6,600,000	509,437	7,109,437
	<u>\$ 34,665,358</u>	<u>\$ 8,178,974</u>	<u>\$ 42,844,332</u>

**6. COMMITMENTS AND CONTINGENCIES**

**A. Contracts**

The Community Preservation Fund has entered into various contracts with outside vendors for goods and services related to its capital projects, which are to be performed in future fiscal periods. The Town's management has provided authority to fund these transactions in the subsequent year's budget.

**B. Authorized but Unissued Bonds**

The Community Preservation Fund had authorized, but unissued bonds approximating \$42,000,000 at December 31, 2017.

**7. NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM**

**A. Plan Description**

The Town of Southampton (Town) participates in the New York State Employees' Retirement System (NYSERS). This is a cost sharing, multiple employer retirement system. The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of the 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 serves as sole trustee and administrative head of the NYSERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the NYSERS, and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

**TOWN OF SOUTHAMPTON**  
**COMMUNITY PRESERVATION FUND**  
*(A Special Revenue Fund of the Town of Southampton, New York)*  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**B. Funding Policy**

The NYSERS is noncontributory except for (1) 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, (2) employees who join on or after January 1, 2010 and before April 1, 2012, who contribute 3% of their salary throughout active membership, and (3) employees joining on or after April 1, 2012 who contribute between 3% and 6% dependent on their salary throughout active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS' fiscal year ending March 31. Contributions to the NYSERS allocated by the Town to the Community Preservation Fund were as follows:

2017	\$	50,032
2016		61,884
2015		66,904

The contributions made to the System were equal to 100% of the contributions required for each year.

**8. RISKS AND UNCERTAINTIES**

**A. Town Audit**

As of April 27, 2018, the Town's December 31, 2017, audited financial statements have not been issued. The Town's management believes that any adjustment to the Town's financial statements will not have a material effect, if any, on the Community Preservation Fund's account balances as of December 31, 2017, and for the year then ended.

**B. Environmental Risks**

The Community Preservation Fund is subject to federal, state, and local regulations relating to the disposal of certain hazardous materials. At April 27, 2018, management is not aware of any potential hazardous materials or risks related to properties owned.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Supervisor and Town Board  
Town of Southampton  
Southampton, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Southampton Community Preservation Fund (Community Preservation Fund), as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated April 27, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Community Preservation Fund's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Preservation Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Preservation Fund's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

April 27, 2018

