

**STATEMENT  
OF  
ANNUAL FINANCIAL AND OPERATING INFORMATION**

**TOWN OF SOUTHAMPTON  
SUFFOLK COUNTY, NEW YORK**

**DATED: JUNE 8, 2012**

**TOWN OF SOUTHAMPTON  
SUFFOLK COUNTY, NEW YORK**

Town Hall  
116 Hampton Road (Rte 27A)  
Southampton, New York 11968  
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**TOWN BOARD**

Anna Throne-Holst, Town Supervisor

Bridget Fleming  
Christine Preston Scalera

James Malone  
Christopher R. Nuzzi

-----  
Leonard J. Marchese, CPA, Town Comptroller  
Sundy A. Schermeyer, Town Clerk  
Theresa Kiernan, Receiver of Taxes  
Alex Gregor, Supt. of Highways/Commissioner of Public Works  
Tiffany Scarlato, Town Attorney

\* \* \*

**FINANCIAL ADVISOR**

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue  
Port Jefferson Station, N.Y. 11776  
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**STATEMENT OF ANNUAL FINANCIAL  
AND OPERATING INFORMATION**

**TOWN OF SOUTHAMPTON  
SUFFOLK COUNTY, NEW YORK**

The material set forth herein, including the cover page, has been prepared by the Town of Southampton, Suffolk County, New York (the "Town," the "County," and the "State," respectively) in connection with its obligation to prepare and submit such material in accordance with its Continuing Disclosure Undertakings and its Statements prepared in connection with the sale and issuance of the following bond issues:

\$ 15,569,000	Public Improvement (Serial) Bonds, 2003.
\$ 19,050,000	Open Space Preservation (Serial) Bonds, 2004.
\$ 18,276,500	Public Improvement (Serial) Bonds, 2004.
\$ 5,930,000	Refunding (Serial) Bonds, 2005.
\$ 11,382,540	Public Improvement (Serial) Bonds, 2006.
\$ 16,350,000	Public Improvement (Serial) Bonds, 2007.
\$ 20,000,000	Open Space Preservation (Serial) Bonds, 2009.
\$ 20,000,000	Open Space Preservation (Serial) Bonds, 2009B.
\$ 22,770,000	Public Improvement (Serial) Bonds, 2010.
\$ 9,575,000	Refunding (Serial) Bonds - 2010.
\$ 14,160,000	Public Improvement (Serial) Bonds, 2011.

**THE TOWN**

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

**General Information**

The Town encompasses an area of approximately 138 square miles and is located on the south fork of Long Island, in the eastern portion of Suffolk County. Present population is estimated at 56,790 (U.S. Census Bureau - 2010).

The Town is bordered on the north by the Town of Riverhead, the Peconic Bays and Shelter Island Sound; on the east by the Town of East Hampton; on the south by the Atlantic Ocean; and on the west by the Town of Brookhaven. The Town includes the incorporated villages of North Haven, Quogue, Southampton, Westhampton Beach, West Hampton Dunes, and Sagaponack, as well as most of the Village of Sag Harbor.

Located about 70 miles east of Manhattan, the Town is a very popular summer resort area and many of the commercial facilities in the Town - hotels, motels, restaurants and recreational facilities - are associated with this activity. In addition, the Town is historically significant, being the site of the first English settlement (in 1640) in New York State and including the Halsey Homestead, built in 1648 (the oldest English saltbox house in the State); the Windmill at Water Mill, built in 1800; and the Old School House in Quogue, built in 1822. The economy of the Town is augmented by farming and fishing; by the location of the Suffolk County offices at Riverhead (actually situated in the Town); and by being the site of Stony Brook Southampton, a branch of the State University of New York at Stony Brook and the eastern campus of Suffolk County Community College. Suffolk County Community College has an enrollment of about 2,200 full and part-time students in the Town.

Recreational facilities include beaches on the ocean and the bay; various County and Town parks located throughout the Town; and golf courses, tennis courts, swimming pools, etc. Police protection is provided by the Town and fire protection by eight Fire Districts.

The largest employer in the Town with over 700 employees, Southampton Hospital, provides access to a wide variety of medical specialties for a full range of clinical services.

Rail transportation is provided by the Long Island Railroad with stations at Speonk, Westhampton, Hampton Bays, Southampton and Bridgehampton. Highways include New York State Routes 27, 27A and 24, as well as County and Town roads.

## Government

The Town was established in 1801. Thirteen independently governed school districts are located wholly or partially within the Town. These school districts rely on their own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as their basis for taxation of property located within the Town.

Subject to the provisions of the State Constitution, the Town operates pursuant to the Town Law, the Local Finance Law, other laws generally applicable to the Town, and any special laws applicable to the Town. Under such laws, there is no authority for the Town to have a charter, but pursuant to the Town Law and other laws generally applicable to home rule, the Town may from time to time adopt local laws.

The legislative power of the Town is vested in the Town Board. The Town Board consists of five members, including the Supervisor. The Supervisor is the chief executive officer of the Town and is elected for a term of two years. The four other members of the Town Board are elected to four-year terms, which terms are staggered such that two councilmembers are elected every two years. All the Town Board members are elected at large and there is an 8-year limitation to the number of years that all elected officials may serve.

The Supervisor is also the chief fiscal officer of the Town. Additional Town officers are the Deputy Supervisor, the Town Clerk, (elected at large for a four year term), the Receiver of Taxes, who is responsible for the collection of taxes (elected at large for a four year term), the Superintendent of Highways (elected at large for a four year term), the Assessor, the Town Attorney, the Town Management Services Administrator and the Comptroller, all of whom are appointed by the Town Board.

### Utilities and Other Services

Electricity and natural gas is supplied to the Town by the Long Island Power Authority and National Grid. The Town supplies water to various special assessment water districts and is responsible for the financing and construction of water transmission lines as well as maintenance of the necessary facilities in such areas. The Suffolk County Water Authority also supplies water to various parts of the Town. Police protection is provided by the Town Police Department and various Village Police Departments, and fire protection is provided by eight Fire Districts which serve the entire Town.

### Employees

The Town provides services through approximately 16 elected officials, 516 full-time employees and approximately 134 part-time employees. The Town also employs approximately 300 part-time seasonal employees. The Civil Service Employees Association (the "CSEA") represents approximately 289 employees under a contract which expires on December 31, 2013. The Police Benevolent Association (the "PBA") represents approximately 73 employees under a contract which expires on December 31, 2012. The Superior Officers Association (the "SOA") represents approximately 18 employees under a contract which expires on December 31, 2013. The Chief of Police is a non-union employee.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population Characteristics

The population of the Town, County and the State since 1970 is represented below:

<u>Year</u>	<u>Town</u>	<u>Suffolk County</u>	<u>New York State</u>
1970 .....	35,980	1,127,030	18,241,391
1980 .....	43,146	1,284,231	17,557,288
1990 .....	45,066	1,321,864	17,990,455
2000 .....	54,712	1,419,369	18,976,457
2010 .....	56,790	1,493,350	19,378,102

Source: U.S. Bureau of the Census.

**Income Data**

	Per Capita Money Income		
	<u>1990</u>	<u>2000</u>	<u>2009*</u>
Town of Southampton	\$16,726	\$31,320	\$48,238
County of Suffolk	18,481	26,577	35,062
State of New York	16,501	23,389	30,634

	Median Household Income		
	<u>1990</u>	<u>2000</u>	<u>2009*</u>
Town of Southampton	\$47,074	\$65,144	\$91,332
County of Suffolk	49,128	65,288	96,206
State of New York	32,965	43,393	67,040

Source: United State Bureau of the Census

\*Note: Based on American Community Survey 5-Year Estimates (2005-2009)

**Summary of Building Activity**  
(Number of Building Permits Issued)

The chart below represents the level of building permit activity for the five most recently completed fiscal years. The figures include residential and commercial activity and with most of the activity coming from additions and renovations to existing homes and facilities. It also includes demolitions, installation of fences, swimming pools, fences, accessory buildings, etc. It does not include renewals of previously issued permits.

2007 .....	4,363
2008 .....	4,415
2009 .....	3,241
2010 .....	3,820
2011 .....	4,466

**Unemployment Rate Statistics**

Annual Averages:	<u>Town of Southampton</u>	<u>Suffolk County</u>	<u>New York State</u>
2006 .....	4.0%	3.9%	4.5%
2007 .....	3.9	3.8	4.5
2008 .....	5.1	5.0	5.4
2009 .....	7.4	7.4	8.3
2010 .....	7.8	7.6	8.6
2011 .....	7.6	7.3	8.0

Source: Department of Labor, State of New York

**INDEBTEDNESS OF THE TOWN**

The following tables set forth the computation of debt limit and the calculation of total net indebtedness of the Town in accordance with the constitutional requirements hereinabove described.

**Trend of Town Indebtedness<sup>a</sup>**

	Fiscal Year Ending December 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Outstanding End of Year:					
Subject to Debt Limit:					
Bonds	\$ 99,466,800	\$89,636,200	\$119,541,500	\$129,984,725	\$146,563,440
Bond Anticipation Notes	<u>8,891,000</u>	<u>13,515,000</u>	<u>24,010,589</u>	<u>7,072,200</u>	<u>-</u>
Sub-Total	<u>108,357,800</u>	<u>103,151,200</u>	<u>143,552,089</u>	<u>137,056,925</u>	<u>146,563,440</u>
Not Subject to Debt Limit:					
Bonds	6,768,200	6,298,800	5,473,500	5,235,245	5,349,260
Bond Anticipation Notes	-	-	-	-	-
Other Notes	-	-	-	-	-
Sub-Total	<u>6,768,200</u>	<u>6,298,800</u>	<u>5,473,500</u>	<u>5,235,245</u>	<u>5,349,260</u>
<b>Total Debt Outstanding</b>	<b><u>\$115,126,000</u></b>	<b><u>\$109,450,000</u></b>	<b><u>\$149,025,589</u></b>	<b><u>\$142,292,170</u></b>	<b><u>\$151,912,700</u></b>

a. Does not include refunded bonds.

**Details of Short-Term Indebtedness Outstanding**  
(As of June 8, 2012)

As of the date of this Statement, the Town has bond anticipation notes outstanding in the amount of \$6,105,000 which mature on April 18, 2013. The purposes of the notes are set forth below:

<u>Date Authorized</u>	<u>Purposes</u>	<u>Amount Outstanding</u>
11/09/2010	Reeves Bay Watershed Plan .....	\$ 200,000
12/28/2010	Animal Shelter Improvements.....	90,000
05/24/2011	Improvements to Hampton Bays Water District .....	1,000,000
12/22/2011	Update to Comprehensive Plan .....	125,000
12/22/2011	Acquisition & Installation of Information Technology ....	305,000
12/22/2011	Purchase of Police Vehicles .....	350,000
12/22/2011	Purchase of Passenger Vehicles .....	85,000
02/28/2012	Recycling Facility Improvements.....	40,000
02/28/2012	Police Communications .....	250,000
02/28/2012	Sidewalk Improvements .....	100,000
02/28/2012	Road Improvements.....	3,150,000
02/28/2012	Land Acquisition for Roads.....	100,000
02/28/2012	Drainage Projects.....	100,000
02/28/2012	Acquisition of Highway Equipment.....	<u>210,000</u>
	<b>Total.....</b>	<b><u>\$ 6,105,000</u></b>

### Debt Service Requirements – All Outstanding Bonds<sup>a</sup>

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$15,225,000	\$ 5,007,281	\$ 20,232,281
2013.....	15,670,000	4,409,498	20,079,498
2014.....	16,040,000	4,017,218	20,057,218
2015.....	15,142,700	3,608,823	18,751,523
2016.....	11,435,000	3,208,465	14,643,465
2017.....	11,010,000	2,820,800	13,830,800
2018.....	10,800,000	2,434,796	13,234,796
2019.....	10,400,000	2,052,797	12,452,797
2020.....	9,825,000	1,671,731	11,496,731
2021.....	6,475,000	1,332,262	7,807,262
2022.....	6,410,000	1,090,963	7,500,963
2023.....	3,850,000	878,837	4,728,837
2024.....	3,480,000	739,950	4,219,950
2025.....	2,850,000	620,906	3,470,906
2026.....	2,700,000	514,687	3,214,687
2027.....	2,800,000	408,625	3,208,625
2028.....	2,800,000	295,313	3,095,313
2029.....	2,800,000	180,250	2,980,250
2030.....	<u>2,200,000</u>	<u>72,875</u>	<u>2,272,875</u>
Totals.....	<u>\$151,912,700</u>	<u>\$ 35,366,077</u>	<u>\$187,278,777</u>

a. Includes \$74,277,700 in bonds issued for the preservation of open space. See "Community Preservation Fund" herein. Does not reflect payments made to date.

### Debt Service Requirements – Community Preservation Fund Only<sup>a</sup>

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$7,530,000	\$2,285,518	\$9,815,518
2013.....	7,570,000	2,149,914	9,719,914
2014.....	7,740,000	2,009,456	9,749,456
2015.....	7,337,700	1,862,259	9,199,959
2016.....	4,435,000	1,709,543	6,144,543
2017.....	4,480,000	1,550,489	6,030,489
2018.....	4,655,000	1,381,972	6,036,972
2019.....	4,680,000	1,205,054	5,885,054
2020.....	4,850,000	1,018,137	5,868,137
2021.....	2,000,000	853,063	2,853,063
2022.....	2,000,000	775,563	2,775,563
2023.....	2,000,000	695,563	2,695,563
2024.....	2,000,000	615,563	2,615,563
2025.....	2,100,000	533,906	2,633,906
2026.....	2,100,000	447,938	2,547,938
2027.....	2,200,000	360,250	2,560,250
2028.....	2,200,000	266,063	2,466,063
2029.....	2,200,000	170,500	2,370,500
2030.....	<u>2,200,000</u>	<u>72,875</u>	<u>2,272,875</u>
Totals.....	<u>\$74,277,700</u>	<u>\$19,963,620</u>	<u>\$94,241,320</u>

a. Such debt service requirements are included in the preceding table. Does not reflect payments made to date.

**Computation of Debt Limit and Calculation of Net Debt Contracting Margin**  
(As of June 8, 2012)

Fiscal Year Ending May 31:	Assessed Valuation	State Equalization Rate	Full Valuation
2008 .....	\$50,324,673,875	89.70%	\$56,103,315,357
2009 .....	52,807,053,580	100.00	52,807,053,580
2010 .....	54,445,058,850	100.00	54,445,058,850
2011 .....	55,860,526,117	100.00	55,860,526,117
2012 .....	55,861,991,485	100.00	55,861,991,485
Total Five Year Full Valuation.....			\$275,077,945,389
Average Five Year Full Valuation.....			55,015,589,078
Debt Limit - 7% of Average Full Valuation.....			3,851,091,235
Inclusions:			
Outstanding Bonds:			
General Purposes <sup>1</sup> .....			140,202,016
Water Districts .....			<u>5,216,560</u>
Sub-Total .....			145,418,576
Bond Anticipation Notes .....			<u>6,105,000</u>
Total Inclusions .....			<u>151,523,576</u>
Exclusions:			
Water Debt (Outstanding Bonds).....			5,216,560
Bond Appropriations.....			<u>8,396,300</u>
Total Exclusions .....			13,612,860
Total Net Indebtedness .....			<u>137,910,806</u>
Net Debt Contracting Margin.....			<u>\$3,713,180,429</u>
Percent of Debt Limit Exhausted .....			3.58%

1. Includes \$72,227,700 in bonds issued for the preservation of open space. See "Community Preservation Fund" herein.

**Calculation of Estimated Overlapping and Underlying Indebtedness**

Overlapping Units	Date of Report	Percentage Applicable	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk .....	04-09-12	21.12%	\$413,858,227	\$270,005,008
Villages .....	05-31-11 or later	Var.	18,186,637	18,186,637
School Districts <sup>a</sup> .....	06-30-11 or later	Var.	172,630,427	151,102,918
Fire District.....	12-31-10 or later	Var.	6,031,862	6,031,862
Libraries (Est.) .....	06-30-11	Var.	<u>14,000,000</u>	<u>14,000,000</u>
Totals.....			<u>\$624,707,153</u>	<u>\$459,326,424</u>

a. Does not include refunded bonds.

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Statements.

**Authorized And Unissued Debt**  
(As of June 8, 2012)

As of the date of this Statement, the Town has authorized but unissued debt in the aggregate amount of \$48,143,300 as follows:

Various Public Improvements .....	\$ 5,716,000
Open Space Preservation .....	<u>42,427,300</u>
Total.....	<u>\$48,143,300</u>

**Community Preservation Fund**

In 1998, the voters of the five East End towns (East Hampton, Riverhead, Shelter Island, Southampton, and Southold) approved a referendum creating a Community Preservation Fund (the "Fund") for each Town, which is a conservation program to preserve open space and farmland in the five towns. The fund is financed by a 2% tax on most real estate sales. This is a one-time tax that the buyer of real estate is required to pay when purchasing a new or used home or vacant property. In 2006, the voters in all five towns approved a referendum to extend the collection of the tax through 2030.

The Fund facilitates a voluntary program whereby landowners can sell their land or the development rights to the land to the respective towns at fair market value. The towns may issue bonds for purchases to be paid back through the life of the Fund with the 2% tax revenues. When a town finances an acquisition through the issuance of bonds, Section 64-e of Town Law requires the preparation of a report by or on behalf of the Town Supervisor which demonstrates how such indebtedness will be repaid by the Fund. The repayment report must include an estimate of projected revenues of the Fund during the period of indebtedness, an accounting of all other indebtedness incurred against the Fund to be repaid for the same period, and a finding that there will be sufficient revenue to repay such indebtedness in its entirety from the Fund.

As of the date of this Statement, there are \$72,227,700 in bonds outstanding that have been issued for the preservation of open space and land acquisitions, the Town debt service on which is expected to be paid by the Fund. The expected revenues accruing to the Fund would be sufficient to pay principal and interest on obligations substantially in excess of such amount.

**Capital Project Plans**

The Town is generally responsible for providing certain services to the citizens, as required, on a Town-wide basis. The Town maintains a Town road system necessitating a regular road resurfacing and improvement program and the acquisition of machinery and equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. The Town is also primarily responsible for the financing and construction of surface and storm water drainage improvements, and the Town is regularly acquiring and improving recreation facilities. The Town generally has provided the financing for water facilities for the Hampton Bays Water District and maintains primary responsibility for this function. The Town is also responsible for the disposal of certain solid waste generated within the Town and will upgrade its four transfer stations as deemed necessary and appropriate. Additionally the Town finances park and community center improvements, and technology infrastructure. In general, needs for capital financing for the above described projects for which the Town has responsibility are anticipated to continue and may substantially increase as certain requirements imposed on the Town by State or Federal regulations in connection with its disposal of solid waste cause capital expenditures to be necessary.

**FINANCES OF THE TOWN**

**Independent Audit Procedures**

The financial statements of the Town are audited annually by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2011, and is attached as Appendix B. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller ("OSC") to ascertain whether the Town has complied with the requirements of various State and Federal statutes. The OSC conducted an audit entitled "Financial Condition and Internal Controls Over Selected Financial Operations" for the period covering January 1, 2008 through August 31, 2009. Such report is available on the website of the Town - [www.southamptontownny.gov](http://www.southamptontownny.gov) and on the website of the OSC - [www.osc.state.ny.us](http://www.osc.state.ny.us).

The Statements of Revenues, Expenditures and Changes in Fund Balances presented in Appendix A of this Statement are based on the audited Annual Financial Reports of the Town for the 2007-2011 fiscal years.

### *Fund Structure and Accounts*

The Town 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) enterprise 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 Town presently maintains the following major governmental funds: General Fund, Police District, Town Outside Village, Community Preservation, Highway, Public Safety and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are three enterprise funds - golf course, beaches and marinas, and waste management. Account groups are maintained for fixed assets and long-term debt.

### *Basis of Accounting*

The Town'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 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) un-matured interest on general long-term debt, which is recognized when due.

### **Budgetary Procedures**

The head of each administrative unit of the Town is required to file detailed estimates of revenues (other than real property taxes) and expenditures for the next fiscal year with the budget officer (Supervisor) on or before September 20th. The Town takes a multi-year approach to the budgetary process in order to help with future planning. Estimates for each fire district situated within the Town must also be filed with the budget officer by this date. After reviewing these estimates, the budget officer prepares a tentative budget which includes her recommendations. A budget message explaining the main features of the budget is also prepared at this time. The tentative budget is filed with the Town Clerk not later than the 30th of September. Subsequently, the Town Clerk presents the tentative budget to the Town Board at the regular or special hearing which must be held on or before October 5th. The Town Board reviews the tentative budget and makes such changes as it deems necessary and that are not inconsistent with the provisions of the law. Following this review process, the tentative budget and such modifications as are approved by the Board, if any, become the preliminary budget. A public hearing, notice of which must be duly published in the Town's official newspaper, on the preliminary budget is generally required to be held on the Thursday immediately following the general election. At such hearing, any person may express his or her opinion concerning the preliminary budget; however, there is no requirement or provision that the preliminary budget or any portion thereof be voted on by members of the public. After the public hearing, the Town Board may further change and revise the preliminary budget. The Town Board, by resolution, adopts the preliminary budget as submitted or amended no later than November 20th, at which time the preliminary budget becomes the annual budget of the Town for the ensuing fiscal year. Budgetary control during the year is the responsibility of the Supervisor who is assisted in this area by the Town Comptroller. However, any changes or modifications to the annual budget including the transfer of appropriations among line items must be approved by resolution of the Town Board. A summary of the budgeted revenues and expenditures for the current fiscal year and the previous fiscal year may be found in Appendix A.

### **Financial Operations**

The Town Supervisor functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities, which are delegated to and carried out under the supervision of the Town Comptroller. In addition, the Supervisor is also the Town's budget officer and must therefore prepare the annual tentative budget for submission to the Town Board. During the absence of the Supervisor, the Deputy Supervisor may generally exercise the Supervisor's powers.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and the issuance of bonded debt. Pursuant to Section 30.00 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

Town finances are operated primarily through the General, Police and Highway Funds. All real property taxes and most of the other Town revenues are credited to these funds. Current operating expenditures are paid from these funds subject to available appropriations. The Town also has water districts, which are accounted for within separate funds. The primary source of income for these districts comes from special assessments levied against district properties at the same time real estate taxes are levied. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar year (January 1 through December 31) for operating and reporting purposes.

### **2009 Events Affecting the Town's Financial Operations**

In 2009, the Town with the assistance of outside auditors, conducted a comprehensive review and reconciliation of its Capital Funds. This review was prompted by the discovery, in the fourth quarter of 2008, of a discrepancy between cash on hand and the remaining spending authorization for individual Capital Projects. In response to the finding of the forensic review, in December 2009, the Town Board adopted several resolutions that authorized and directed the Town Comptroller to consolidate, collapse and closeout completed capital projects and roll-forward surplus funds for new Capital Projects. In addition, these resolutions also directed the Comptroller to apply proper accounting treatments to Capital Projects for the period 2003-2008. The application of proper accounting treatments resulted in approximately \$3,042,330 of surplus being returned to the Town's 2010 Debt Reserve Fund, \$2,432,256 of surplus being rolled forward for new Capital Projects and \$3,107,861 of General Fund Balance being appropriated to offset Capital Project deficits. The forensic review also resulted in the development and implementation of improved policies; procedures and financial control ensure that revenue and expenses are tracked over the life of each Capital Project.

### **Investment Policy**

Although investment of money is not, in and of itself, a Town Purpose, the Town is permitted to temporarily invest funds pending their application to the Town purposes. Pursuant to State law, including Sections 10 and 11 of the General Municipal Law, and in accordance with its adopted investment policy, the Town is permitted to deposit moneys in banks or trust companies located and authorized to do business in the State, as authorized by the Town Board. The Chief Fiscal Officer of the Town, the Supervisor, has delegated to the Comptroller of the Town the responsibility of depositing and investing Town moneys. The Town's funds may be invested in certificates of deposit, money market deposit accounts, and N.O.W. accounts. Such investments, as well as any other funds of the Town held by banks, must be secured by collateral held in third party custodial accounts in the Town's name; such collateral is to consist of obligations guaranteed by the United States of America; general obligations of the State or obligations of local governments of the State. Banks must supply the Town at least monthly with written evidence of the collateral pledged, and the market value of such collateral must at all times equal or exceed the principal amount of the investment.

### **Debt Management Policy**

The primary objective of the Town's Debt Management Policy is to establish conditions for the use of debt and to create procedures and policies that minimize the Town's debt service and issuance costs. The Debt Management Policy applies to all general obligations debt issued by the Town, debt guaranteed by the Town, and any other forms of indebtedness.

The Town Board has adopted this policy by resolution. The policy is a guideline for general use and allows for exceptions in extraordinary circumstances. Under the recommendations of the Town's Bond Counsel, Financial Advisor and/or Comptroller, the Town will evaluate its experience under this policy and make changes, if needed, at any time by resolution of the Town Board.

In order to maintain appropriate budgetary controls and to prevent imposing excessive burdens on taxpayers of the Town, it is the intention of the Town Board in any given year to limit debt service expenditures supported by local real property taxes to no more than 15% of aggregate budgetary appropriations from the following funds: General Fund, Police Fund, Highway Fund, Part Town Fund and Emergency Dispatching Fund. The Community Preservation Fund is excluded since the Town does not tax of this revenue.

### **Fund Balance Policy**

In recognition of sound fiscal policy, the Town Board has adopted a formal reserve policy to make all reasonable efforts to maintain a fund balance in its General Fund at the end of each fiscal year equal to no less than 15% of the total General Fund operating budget. Such fund balance is inclusive of any reserve funds maintained by the Town for tax stabilization purposes pursuant to Chapter 8 of the Southampton Town Code. The Town Board finds that this threshold is a reasonable amount of fund balance to achieve at the end of each fiscal year as unanticipated circumstances during the course of a year, shortfalls in projected revenues, and adverse events can have negative effects on non-tax revenues or expenditures or both.

If an emergency or unanticipated need were to occur that necessitated the appropriation of fund balance that would result in reducing the fund balance below 15 %, a resolution of the Town Board would be adopted to approve such appropriation. Subsequent to such appropriation, the Town Board will commit to immediately begin the process of reducing expenditures or raising revenues in order to restore the fund balances to adequacy over a reasonable time frame.

**Revenues**

The Town receives most of its revenues from real property taxes and assessments. A summary of such revenues and other financings sources for the five most recently completed fiscal years for which financial statements are available may be found in the Statements of Revenues, Expenditures and Changes in Fund Balance in Appendix A hereto.

*Real Property Taxes*

See "Real Property Tax Information," herein.

**State Aid**

The Town 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 Town, 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 Town, in this year or future years, the Town 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 Town received approximately 17% of its total operating revenue from State aid in 2010 & 2011. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Town cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal monies made available to pay State aid in future years, the Town may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Town's General Fund revenue comprised of State aid for each of the fiscal years 2007 through 2011 and as budgeted, for 2012.

<u>Year Ended December 31:</u>	<u>Total General Fund Town Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2007	\$36,804,711	\$13,341,807	36.25%
2008	32,905,156	9,021,196	27.42
2009	33,138,113	5,430,095	16.39
2010	34,917,303	5,936,053	17.00
2011	34,825,845	6,249,172	17.94
2012 (Budget)	34,000,510	5,851,275	17.21

Source: Audited financial statements 2007 through 2011 and the adopted budget for December 31, 2012.

## Pension Systems

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS" and together with ERS, the "Retirement System"), a cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement system and Social Security Law (the "Retirement System Law"). The Retirement System 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 ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts, which are collected through annual billings to all participating employers. Generally, all full-time employees, participate in the Retirement System. ERS is non-contributory with respect to members hired prior to July 27, 1976. All ERS members hired on or after July 27, 1976, with less than ten years experience, must contribute 3% of gross annual salary toward the cost of retirement programs. The PFRS is non-contributory for all police and fire fighters.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the ERS and PFRS, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments. While the Town is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the revised system, a contribution for a given fiscal year is based on the valuation of the pension fund on April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in the budget for the ensuing year.

On July 30, 2004, then Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school district contribute to the state pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the state has reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changed the date on which local pension contributions are due to the State. The annual required contribution became due February 1 annually instead of December 15.
- **Pension Contributions Reserve Fund:** The law created special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates a new Tier 5 pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier 5 include:

- Raising the minimum age at which most civilian can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62. Requiring employees to continue contribution 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from five years to ten years
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS and PFRS 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.

The following table presents the amount of payments by the Town to the New York State Retirement Systems for the past five years.

#### Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	Employees' Retirement <u>System</u>	Policemen's & Firemen's Retirement <u>System</u>	<u>Total</u>
2007	\$2,061,569	\$1,750,071	\$3,811,639
2008	2,049,204	1,654,117	3,703,321
2009	1,859,470	1,758,638	3,618,108
2010	1,872,489	1,783,054	3,655,543
2011	2,564,387	2,094,785	4,659,172
2012 (Budgeted)	2,820,513	2,455,064	5,275,577

Due to recent poor performance of the investment portfolio of the Retirement System, the employer contribution rates for required pension contribution has increased. To help mitigate the impact of such increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. The Town has elected to amortize certain contribution costs. As of December 31, 2011, the total payments payable by the Town are as follows:

Fiscal Year Ending <u>December 31</u>	<u>Amount</u>
2012 .....	\$ 117,381
2013 .....	122,022
2014 .....	126,849
2015 .....	131,868
2016 .....	137,088
2017-2021 .....	<u>750,009</u>
Total.....	\$ <u>1,385,217</u>

#### Other Post Employment Benefits

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. GASB Statement No. 45 ("GASB 45") of the Governments Accounting Standards Board ("GASB") requires governmental entities, such as the Town, to account for the costs of certain non-pension post-employment benefits as it accounts for vested pension benefits.

OPEB refers to "other post-employment benefits," and refers to benefits other than pensions benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and form employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advanced funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

As of January 1, 2010, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, is \$149.5 million. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$149.5 million. For the year ended December 31, 2011, the Town's annual OPEB cost was \$13.5 million and the ARC was \$12.4 million. The Town is on a pay-as-you-go funding basis and paid \$3.2 million for the fiscal year ending December 31, 2011 resulting in a projected year-end Net OPEB obligation of \$38.0 million.

The Town's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both. There is no authority in New York State to establish a reserve fund for the liability at this time.

Actuarial Valuation will be required every two years for OPEB plans with more than two hundred members, or every three years if there are less than two hundred members. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

## REAL PROPERTY TAX INFORMATION

### Real Property Taxes

The Town derives a significant portion of its annual revenue through a direct real property tax. By local law adopted in 2001, the Town has restricted itself from raising the overall property tax rate more than 5% annually.

Year Ended <u>December 31:</u>	Total General Fund <u>Town Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2007	\$36,804,711	\$18,948,342	51.48%
2008	32,905,156	19,183,481	58.30
2009	33,138,113	22,594,894	68.18
2010	34,917,303	22,991,545	66.85
2011	34,825,845	22,983,270	65.99
2012 (Budget)	38,038,548	22,062,671	58.00

Source: Audited financial statements 2007 through 2011 and the adopted budget for December 31, 2012.

The following table presents the total tax levy, by purpose, with adjustments and collection performance for each of the last five fiscal years.

### Tax Levy and Collection Record

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax Levy:					
General Town <sup>a</sup>	\$19,239,157	\$22,557,464	23,471,265	\$24,288,157	\$22,048,728
Police	18,186,288	19,792,258	19,122,882	18,787,061	19,510,509
Emergency Dispatching - E911	2,588,154	1,628,786	2,163,032	2,163,471	2,154,216
Zoning	292,927	450,560	1,591,613	907,216	1,757,858
Highway <sup>b</sup>	7,735,936	8,805,492	10,203,992	10,757,440	11,458,980
Special Districts:					
Fire & Fire Protection	11,555,033	12,039,733	12,282,939	12,302,370	12,111,213
Lighting	54,733	543,516	553,783	564,747	556,046
Water	1,025,209	1,391,341	1,111,611	1,082,775	1,132,073
Miscellaneous <sup>c</sup>	3,897,952	3,736,414	4,302,159	4,337,653	4,484,099
School and Library Districts	183,430,049	197,196,966	212,480,335	221,311,943	230,672,394
County	14,945,935	15,602,231	14,148,089	16,688,892	15,869,036
Other Items <sup>d</sup>	<u>603,218</u>	<u>566,523</u>	<u>518,619</u>	<u>714,871</u>	<u>991,121</u>
Total Warrant	\$263,554,591	\$284,311,284	\$301,950,319	\$313,906,596	322,746,273
Amount Collected	251,805,335	271,663,915	286,195,281	297,658,185	NA
Returned to County:					
Amount	11,749,256	12,647,369	15,755,038	16,248,411	NA
Percent	4.45%	4.45%	5.21%	5.19%	NA

a. Includes Farmland.

b. Incorporated villages not subject to levies for these items except for Village of North Haven, which pays Police taxes.

c. Includes Ambulance District, Park Districts, Public Parking District, Street Improvements and Sagaponack Highway. The 2012 year includes the Trana Coastal Erosion District

d. Includes apportioned exemptions water arrears, unpaid security alarms, omitted assessments, etc.

### Tax Collection Procedure

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

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

**Tax Rates Per \$100 of Assessed Valuation**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Town.....	\$0.38	\$0.43	\$0.43	\$0.43	\$0.39
Police .....	0.54	0.56	0.52	0.51	0.52
Zoning.....	0.01	0.01	0.05	0.03	0.05
Highway.....	0.26	0.29	0.24	0.26	0.36
County.....	0.24	0.18	0.18	0.21	0.20
School and Library Districts <sup>a</sup> .....	0.04-14.04	0.02-14.24	0.03-15.62	0.02-18.34	0.02-20.43
Special Districts:					
Fire & Fire Protection <sup>a</sup> .....	0.09-1.67	0.01-0.84	0.10-0.82	0.10-1.04	0.10-1.05
Lighting <sup>a</sup> .....	0.01-0.13	0.01-0.16	0.01-0.15	0.01-0.15	0.01-0.15
Water <sup>a</sup> .....	0.17-0.38	0.26-0.37	0.19-0.36	0.21-0.39	0.22-0.42
Miscellaneous <sup>a</sup> .....	0.01-0.42	0.01-0.43	0.01-0.53	0.01-0.56	0.01-0.6

a. If more than one rate, indicates range.

**Tax Increase Procedural Limitation Legislation**

Although the State Legislature is limited by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted”, the New York State Legislature may from time to time impose additional limitations on the ability to issue new indebtedness or to raise taxes therefor.

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limit Law” or the “Law”). The Tax Levy Limit Law generally applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities to levy certain year-to-year increases in real property taxes.

The Town is subject to the Tax Levy Limit Law, beginning with the Town’s budget for its fiscal year beginning January 1, 2012. Pursuant to the Tax Levy Limit Law, additional procedural requirements are imposed if a municipality seeks to increase the tax levy by more than the lesser of (1) two percent (2%) or (ii) the annual increase in the consumer price index, over the amount of the Town’s prior year’s tax levy (the “Tax Levy Increase Limit”). In the event the Town seeks to adopt a budget requiring a tax levy exceeding the Tax Levy Increase Limit, a favorable vote of at least three members of the five-member Town Board would be required. The Town Board would also be required to act by Local Law rather than simply by resolution, and a public hearing would be required.

The Law permits certain exceptions to the Tax Levy Increase Limit. The Town may levy taxes exceeding the Tax Levy Increase Limit, if necessary, to support the following expenditures: (i) funds needed to pay judgments arising out of tort actions that exceed five percent of the total tax levied by the Town in the prior fiscal year and (ii) required pension payments (but only that portion of such payments attributable to the average actuarial contribution rate exceeding two percentage points). Taxes necessary for these expenditures will not be included in the calculation of the Tax Levy Increase Limit.

The Law also provides for adjustments to be made to the Town’s Tax Levy Increase Limit based upon changes in the assessed value of the taxable real property in the Town. Additionally, the Town will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year.

Notes or Bonds of the Town issued prior to the July 1, 2011 effective date of the Tax Levy Limit Law are payable from real property taxes that can be levied as necessary without regard to any Constitutional or statutory limit. Inasmuch as the Law has no exclusion for principal and interest on notes and bonds, however, levies required to pay principal and interest on notes and bonds will be included in the calculation of the Tax Levy Increase Limit. In the absence of administrative or judicial guidance, and with a lack of any experience operating under the Law, the effect of the Law on the Town’s finances and its ability to continue to levy taxes sufficient to both pay debt service on pre July 1, 2011 and post July 1, 2011 notes and bonds and meet its other governmental responsibilities is uncertain.

**Selected Listing of Large Taxable Properties  
2011 Assessment Roll<sup>a</sup>**

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Blue Turtles, Inc. ....	Estate	\$240,569,000
LIPA .....	Utility	141,943,887
Leon D. Black.....	Estate	64,905,300
Keyspan Energy.....	Utility	62,610,139
Payton Lane Nursing Home, Inc. ....	Nursing Home	54,948,800
Keyspan Energy.....	Utility	53,917,558
Verizon New York.....	Utility	52,206,219
Yumi & The Kids LLC.....	Estate	49,891,000
Stephen Perl binder.....	Estate	49,340,900
Cheryl G. Krongrad .....	Estate	48,278,000
		<u>\$818,610,803<sup>b</sup></u>

- a. Assessment Roll established in 2011 for levy and collection of taxes during 2012 Fiscal Year.  
b. Represents 1.46% of the total taxable assessed valuation of the Town for 2012.

**LITIGATION**

In common with other towns, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the Town 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 Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have an adverse material effect on the financial condition of the Town, in view of the Town's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

***Shinnecock Indian Nation v. Town of Southampton, et al.***

In June 2005, the Shinnecock Indian Nation (the "Shinnecoeks") commenced an action in the United States District Court, Eastern District of New York, against the Town, the County of Suffolk, the State and several other parties seeking to recover both real property and monetary damages in the amount of fair market value and/or rental value related to various properties in the Town. The Shinnecock Indian Nation claims that such properties, on which the Shinnecoeks allegedly had a leasehold interest, were illegally conveyed and that the Shinnecoeks should be granted "possessory rights" to such properties including restoration to the Shinnecoeks of possession of such land. It is estimated that the property represented by the claim is equal to approximately 3.85% of the total taxable real property in the Town.

By Memorandum and Order dated November 28, 2006, U.S. District Judge Thomas Platt granted the motion of defendants seeking to dismiss the Shinnecoeks' complaint in its entirety, pursuant to Fed. R. Civ. P. 12(b)(6), for equitable considerations, including plaintiffs' delay in commencing the action.

The Shinnecoeks filed a motion for reconsideration of Judge Platt's Memorandum and Order, and also moved for leave to amend their complaint. They also filed a notice of appeal to the U.S. Court of Appeals (Second Circuit).

The Shinnecoeks' appeal, as well as their motions for reconsideration and leave to amend, have been held in abeyance pending a decision from the Second Circuit Court of Appeals, in the case of *Oneida Nation of New York v. State of New York*, as the Shinnecoeks asserted that a decision in that case could bear heavily on their litigation with the Town.

On August 9, 2010, a decision was rendered by the Second Circuit Court of Appeals in the *Oneida Nation* case, and that decision was forwarded to Judge Platt by defendants, with the advice that in defendants' view, the decision is favorable, and indeed dispositive, of the Shinnecoeks' claims against defendants. The Shinnecoeks have requested that Judge Platt continue the indefinite adjournment of both motions, to accommodate the possibility that the United States might agree to intervene in the action on behalf of the Shinnecoeks. Judge Platt has agreed to extend the adjournment of both motions until June 1, 2012

### BOND RATINGS

Moody's Investors Service has assigned a rating of "Aa1" and Standard & Poor's Corporation has assigned a rating of "AA" to the outstanding bonds of the Town. This rating reflects only the view of such rating agencies and an explanation of the significance of such ratings should be obtained from Moody's Investors Service and Standard & Poor's Corporation. There can be no assurance that such ratings will not be revised or withdrawn, if in the judgment of Moody's Investors Service and Standard & Poor's Corporation circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the outstanding bonds of the Town or the availability of a secondary market for the bonds.

### FINANCIAL ADVISOR

Munistat Services, Inc. has acted as the financial advisor to the Town in connection with the sale of the Bonds.

### OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds are to be issued is the Education Law and the Local Finance Law.

The estoppels procedure provided in Title 6 of Article 2 of the Local Finance Law will have been complied with in all material respects by the date of delivery of the Bonds.

There is no bond or note of the Town on which principal or interest is past due.

The fiscal year of the Town is January 1 to December 31.

This Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the Town, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

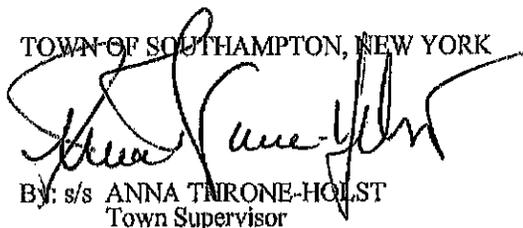
### ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Leonard J. Marchese, the Town Comptroller, Town of Southampton, Town Hall, 116 Hampton Road, Southampton, New York 11968, telephone number 631/702-1890, or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Any statements in this Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

This Statement is submitted only in connection with the Town's "Undertaking to Provide Notices and Information" pursuant to Rule 15c2-12 as promulgated by the Securities and Exchange Commission and may not be reproduced or used in whole or in part for any other purpose.

TOWN OF SOUTHAMPTON, NEW YORK



BY: s/s ANNA THRONE-HOLST  
Town Supervisor

June 8, 2012



**APPENDIX A**

**FINANCIAL INFORMATION**



**Balance Sheets**  
**Governmental Funds**  
**Fiscal Year Ending December 31, 2011**

	<u>General</u>	<u>Police District</u>	<u>Highway</u>	<u>Nonmajor Governmental Funds(1)</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,555,647	\$	\$ 679,086	\$ 2,615,980
Cash - Restricted	6,529,348	338,738	824,189	7,623,097
Accounts Receivable	669,396	233,167	2,204	755,888
Due from Other Governments	50,016			
Due from Other Funds	2,765,417		1,350	670,389
State and Federal Aid Receivables	119,854	1,946,035	255,367	
Prepaid Charges	1,318,259	859,562	383,051	61,267
Other Assets	<u>0</u>			
<b>Total Assets</b>	<b><u>\$ 14,007,937</u></b>	<b><u>\$ 3,377,502</u></b>	<b><u>\$ 2,145,247</u></b>	<b><u>\$ 11,726,621</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 583,980	\$ 66,491	\$ 74,170	\$ 568,904
Accrued Liabilities	107,635	38,102	73,515	20,768
Bond Anticipation Notes Payable				
Due to Employee Retirement System				23,221
Due to Other Governments	34,125			507,312
Due to Other Funds		1,730,884		
Deferred Revenues				
<b>Total Liabilities</b>	<b><u>725,740</u></b>	<b><u>1,835,477</u></b>	<b><u>147,685</u></b>	<b><u>1,120,205</u></b>
<b>Deferred Inflows</b>				
Deferred Property Taxes	333,065	299,588	187,453	154,082
	<u>333,065</u>	<u>299,588</u>	<u>187,453</u>	<u>154,082</u>
<b>Fund Balances (Deficits):</b>				
Nonspendable	1,318,259	859,562	383,051	61,267
Restricted	6,529,348	369,140	824,189	7,623,097
Assigned	465,926	13,735	602,869	2,849,411
Unassigned	<u>4,635,599</u>			<u>(81,441)</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>12,949,132</u></b>	<b><u>1,242,437</u></b>	<b><u>1,810,109</u></b>	<b><u>10,452,334</u></b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b><u>\$ 14,007,937</u></b>	<b><u>\$ 3,377,502</u></b>	<b><u>\$ 2,145,247</u></b>	<b><u>\$ 11,726,621</u></b>

(1) Includes Special Grant Fund, Special Fund, Trustees, and Special District Funds.

Source: Audited Annual Financial Report of the Town. (2011).

NOTE: This schedule is NOT audited

**Balance Sheets**  
**Governmental Funds**  
**Fiscal Year Ending December 31, 2010**

	<u>General</u>	<u>Police District</u>	<u>Highway</u>	<u>Nonmajor Governmental Funds(1)</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,786,241	\$ 160,212	\$ 1,446,244	\$ 10,495,801
Cash - Restricted	113,707		359,317	314,842
Accounts Receivable	683,012	52,716	1,673	487,411
Due from Fiduciary Funds	3,975,419		393,530	5,885
Due from Other Governments	2,153			
State and Federal Aid Receivables	2,590,121	1,950,736	47,538	26,901
Other Assets	800			
Prepaid Charges	294,053	246,851	109,605	21,954
	<u>16,445,506</u>	<u>2,410,515</u>	<u>2,357,907</u>	<u>11,352,794</u>
<b>Total Assets</b>	<b>\$ 16,445,506</b>	<b>\$ 2,410,515</b>	<b>\$ 2,357,907</b>	<b>\$ 11,352,794</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 582,853	\$ 90,086	\$ 381,747	\$ 1,120,614
Accrued Liabilities	507,326	446,270	60,667	25,110
Due to Other Governments	23,695		281,820	64,444
Due to Fiduciary Funds		18,201		134,308
Due to Employees Retirement Sys	1,013,552	1,374,734		
Deferred Revenues	312,397	246,393	150,922	129,223
	<u>2,439,823</u>	<u>2,175,684</u>	<u>875,156</u>	<u>1,473,699</u>
<b>Total Liabilities</b>	<b>2,439,823</b>	<b>2,175,684</b>	<b>875,156</b>	<b>1,473,699</b>
<b>Fund Balances (Deficits):</b>				
Reserve for Encumbrances	37,871	4,657		948
Reserve for Tax Stabilization	5,214,877	230,174	869,001	
Reserve for Debt Service	472,777		359,317	62,370
Special Purpose				9,801,082
<b>Fund Balances (Deficits) -</b>				
<b>Unreserved:</b>				
<b>Designated for:</b>				
Subsequent Year's Budget				150,000
Undesignated	8,280,158		254,433	(135,305)
	<u>14,005,683</u>	<u>234,831</u>	<u>1,482,751</u>	<u>9,879,095</u>
<b>Total Fund Balances (Deficits)</b>	<b>14,005,683</b>	<b>234,831</b>	<b>1,482,751</b>	<b>9,879,095</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 16,445,506</b>	<b>\$ 2,410,515</b>	<b>\$ 2,357,907</b>	<b>\$ 11,352,794</b>

(1) Includes Special Grant Fund, Special Fund, Trustees, and Special District Funds.

Source: Audited Annual Financial Report of the Town. (2010)

NOTE: This schedule is NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund**

	Fiscal Year Ended December 31:				
	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Real Property Taxes	\$ 18,948,342	\$ 19,183,481	\$ 22,594,894	22,991,545	22,983,270
Other Real Property Tax Items	254,735	274,837		188,612	201,668
Non-Property Tax Items	894,303	1,010,521	1,013,649	1,350,747	1,424,315
Special Assessments			81,834	62,559	51,209
Departmental Income	261,669	241,148	602,651	798,100	671,802
Intergovernmental Charges	48,162	12,129		45,063	119,989
Use of Money & Property	825,326	533,927	278,014	79,437	34,163
Licenses and Permits	95,961	109,541	38,250	251,435	283,346
Fines and Forfeitures	1,084,514	1,668,459	1,617,193	1,835,927	1,784,553
Sale of Property & Compensation for Loss	27,009	28,875			31,969
Miscellaneous Local Sources	614,932	380,971	921,099	920,335	648,654
State Aid	13,341,807	9,021,196	5,430,095	5,936,053	6,249,172
Federal Aid	407,951	440,071	560,434	457,490	341,735
<b>Total Revenues</b>	<b>36,804,711</b>	<b>32,905,156</b>	<b>33,138,113</b>	<b>34,917,303</b>	<b>34,825,845</b>
<b>Expenditures:</b>					
General Government Support	14,555,127	13,940,519	13,829,002	13,728,555	12,088,942
Public Safety	2,568,809	2,601,219	2,412,336	2,099,468	2,117,152
Health	39,558	26,749	1,125		
Transportation	483,262	494,183	109,021		
Econ. Assistance & Opportunity	1,728,207	1,834,219	2,333,279	2,106,919	2,692,197
Culture & Recreation	4,026,835	4,321,927	3,670,156	3,822,787	3,594,108
Home & Community Service	1,229,085	1,354,634	1,202,675	534,566	581,913
Employee Benefits	6,579,058	5,711,665	5,918,212	6,157,175	7,671,505
Debt Service	51,592		4,937,183	4,652,495	5,080,850
<b>Total Expenditures</b>	<b>31,261,533</b>	<b>30,285,115</b>	<b>34,412,989</b>	<b>33,101,965</b>	<b>33,826,667</b>
Excess (Deficiency) of Revenues over Expenditures	5,543,178	2,620,041	(1,274,876)	1,815,338	999,178
<b>Other Sources (Uses)</b>					
Proceeds from Issuance of Debt				60,000	
Proceeds of Refunding Debt				9,430,000	
Premium of Debt Issuance				1,070,569	105,849
Payment to Refunded Debt Escrow				(10,500,569)	
Operating Transfers In	76,790	1,553,209	5,511,399	1,324,756	1,105,804
Operating Transfers Out	(8,492,598)	(8,070,538)	(51,710)	(700,695)	(3,267,382)
<b>Total Other Sources (Uses)</b>	<b>(8,415,808)</b>	<b>(6,517,329)</b>	<b>5,459,689</b>	<b>684,061</b>	<b>(2,055,729)</b>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,872,630)	(3,897,288)	4,184,813	2,499,399	(1,056,551)
Fund Balance Beginning of Year	19,530,147	16,657,517	10,575,234	11,634,652	14,005,683
Prior Period Restatement		(2,184,995)	(3,125,395)	(128,368)	
<b>Fund Balance End of Year</b>	<b>\$ 16,657,517</b>	<b>\$ 10,575,234</b>	<b>\$ 11,634,652</b>	<b>14,005,683</b>	<b>12,949,132</b>

Sources: Audited Annual Financial Reports of the Town. (2007-2011).

NOTE: This schedule is NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Police District**

Fiscal Year Ended December 31:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 17,234,033	\$ 18,215,226	\$ 19,805,381	\$ 19,139,406	\$ 18,814,396
Other Real Property Tax Items	56,846	68,952		133,171	145,486
Departmental Income		235,016	206,739	182,601	395,909
Intergovernmental Charges	233,777				
Use of Money & Property	1,501,061	101,760	31,372	27,621	9,907
Licenses and Permits	174,214			36,782	62,999
Compensation for Loss	2,613	500	15,399	22,388	2,027
Miscellaneous Local Sources	10,255	34,393	144,038	100,993	135,900
State Aid	1,991	1,647,723	1,871,245	2,085,155	2,286,408
Federal Aid	42,928	46,023	31,889	54,512	91,667
<b>Total Revenues</b>	<u>19,257,718</u>	<u>20,349,593</u>	<u>22,106,063</u>	<u>21,782,629</u>	<u>21,944,699</u>
<b>Expenditures:</b>					
General Government Support					
Public Safety	13,435,009	13,584,411	13,564,566	14,490,428	14,104,920
Employee Benefits	6,255,450	5,319,097	6,449,176	6,126,425	6,822,336
Debt Service			73,031	74,898	22,183
<b>Total Expenditures</b>	<u>19,690,459</u>	<u>18,903,508</u>	<u>20,086,773</u>	<u>20,691,751</u>	<u>20,949,439</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(432,741)	1,446,085	2,019,290	1,090,878	995,260
<b>Other Sources (Uses)</b>					
Premium from Issuance of Debt					12,346
Operating Transfers In		5,135	2,710		
Operating Transfers Out	<u>(94,265)</u>	<u>(103,043)</u>			
<b>Total Other Sources (Uses)</b>	<u>(94,265)</u>	<u>(97,908)</u>	<u>2,710</u>		<u>12,346</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(527,006)	1,348,177	2,022,000	1,090,878	1,007,606
<b>Fund Balance Beginning of Year</b>	(4,052,383)	(4,579,389)	(2,726,212)	(889,720)	234,831
<b>Prior Period Restatement</b>		505,000	(185,508)	33,673	
<b>Fund Balance End of Year</b>	<u>\$ (4,579,389)</u>	<u>\$ (2,726,212)</u>	<u>\$ (889,720)</u>	<u>\$ 234,831</u>	<u>\$ 1,242,437</u>

Sources: Audited Annual Financial Report of the Town. (2007-2011)

NOTE: This schedule is NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Highway Fund**

Fiscal Year Ended December 31:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 7,882,010	\$ 7,832,960	\$ 8,811,706	\$ 10,210,657	\$ 10,770,010
Other Real Property Tax Items	26,812	32,001	31,068	74,604	82,298
Departmental Income					
Intergovernmental Charges	585,989	634,903	622,237	638,995	754,285
Use of Money & Property	86,765	52,755	13,425	14,812	9,529
Sale of Property & Compensation for Loss	8,542				876
Miscellaneous Local Sources	49,531	45,299	118,982	188,151	281,821
Federal Aid					9,562
State Aid	<u>564,372</u>	<u>657,918</u>	<u>956,789</u>	<u>750,552</u>	<u>684,530</u>
<b>Total Revenues</b>	<u>9,204,021</u>	<u>9,255,836</u>	<u>10,554,207</u>	<u>11,877,771</u>	<u>12,592,911</u>
<b>Expenditures:</b>					
Transportation	5,497,201	5,749,302	6,337,711	7,025,017	6,648,842
Employee Benefits	1,807,781	1,229,940	1,899,644	2,393,320	2,771,944
Debt Service			2,362,222	2,414,480	2,682,403
<b>Total Expenditures</b>	<u>7,304,982</u>	<u>6,979,242</u>	<u>10,599,577</u>	<u>11,832,817</u>	<u>12,103,189</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	1,899,039	2,276,594	(45,370)	44,954	489,722
<b>Other Sources (Uses)</b>					
Premium from Issuance of Debt					243,552
Operating Transfers In		384,801	1,307,952	359,317	8,263
Operating Transfers Out	<u>(1,899,794)</u>	<u>(2,144,529)</u>			<u>(414,179)</u>
<b>Total Other Sources (Uses)</b>	<u>(1,899,794)</u>	<u>(1,759,728)</u>	<u>1,307,952</u>	<u>359,317</u>	<u>(162,364)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(755)	516,866	1,262,582	404,271	327,358
<b>Fund Balance Beginning of Year</b>	(668,812)	(669,567)	11,072	1,106,046	1,482,751
<b>Prior Period Restatement</b>		<u>163,773</u>	<u>(167,608)</u>	<u>(27,566)</u>	
<b>Fund Balance End of Year</b>	<u>\$ (669,567)</u>	<u>\$ 11,072</u>	<u>\$ 1,106,046</u>	<u>\$ 1,482,751</u>	<u>\$ 1,810,109</u>

Sources: Audited Annual Financial Report of the Town. (2007-2011)

NOTE: This schedule is NOT audited

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds (1)**

	Fiscal Year Ended December 31:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 3,774,552	4,715,416	5,943,884	6,166,245	6,047,848
Other Real Property Tax Items	93,237	59,794	28,391	114,319	115,752
Departmental Income	2,014,409	2,140,780	2,559,422	2,703,281	2,551,849
Use of Money & Property	219,795	361,169	9,972	323,486	312,844
Sale of Property & Compensation for Loss	255,868	105		240,300	
Miscellaneous Local Sources	811,559	1,294,918	841,986	2,147,000	320,659
State Aid	824	18,716		32,786	87,446
Federal Aid	3,974,410	3,729,818	3,736,283	4,522,045	4,276,935
<b>Total Revenues</b>	<u>11,144,654</u>	<u>12,320,716</u>	<u>13,119,938</u>	<u>16,249,462</u>	<u>13,713,333</u>
<b>Expenditures:</b>					
General Government Support		31,585	210,739	123,810	300,105
Public Safety	749,581	924,916	833,070	822,126	783,317
Health	1,885,503	2,083,951	2,503,997	2,471,220	2,606,820
Transportation	394,885	437,763	413,738	419,026	438,430
Econ. Assistance & Opportunity		2,400	274,126	455	555
Culture & Recreation	874,324	379,120	440,694	553,035	646,930
Home & Community Service	6,717,696	6,756,785	6,765,997	6,767,924	6,745,261
Employee Benefits	546,535	599,477	425,998	679,202	756,263
Debt Service	160,838	159,879	1,020,644	941,109	948,441
<b>Total Expenditures</b>	<u>11,329,362</u>	<u>11,375,876</u>	<u>12,889,003</u>	<u>12,777,907</u>	<u>13,226,122</u>
Excess (Deficiency) of Revenues over Expenditures	(184,708)	944,840	230,935	3,471,555	487,211
<b>Other Sources (Uses)</b>					
Operating Transfers In			384,605	511,873	97,773
Operating Transfers Out		26,207	(31,650)	(2,132,130)	(515,272)
Premium on Obligations		(1,538,555)			3,527
Proceeds From Issuance of Debt					
<b>Total Other Sources (Uses)</b>	<u>(711,159)</u>	<u>(1,512,348)</u>	<u>352,955</u>	<u>(1,620,257)</u>	<u>(413,972)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(895,867)	(567,508)	583,890	1,851,298	73,239
Fund Balance Beginning of Year	6,652,258	5,756,391	5,107,769	5,986,202	9,879,095
Prior Period Restatement	0	(81,114)	294,543	2,041,595	500,000
<b>Fund Balance End of Year</b>	<u>\$ 5,756,391</u>	<u>5,107,769</u>	<u>5,986,202</u>	<u>9,879,095</u>	<u>10,452,334</u>

(1) Includes Special Grant Fund, Special Fund, Trustees, and Special District Funds.

Sources: Audited Annual Financial Report of the Town. (2007-2011).

NOTE: This schedule is NOT audited

**Budget Summaries**  
**Governmental Funds and Enterprise Funds**  
Fiscal Year Ending December 31, 2011

Fund	<u>Appropriations*</u>	<u>Estimated Revenues</u>	<u>Application of Surplus</u>	<u>Tax Levy</u>
General Fund**	\$ 39,583,366	\$ 15,266,809	\$	\$ 24,316,557
Police Fund	21,252,962	2,438,566		18,814,396
Part-Town Fund***	4,762,351	2,774,829	1,079,962	907,560
Part-Town Highway	12,414,295	1,644,285		10,770,010
Emergency Dispatch - 911	<u>2,242,205</u>	<u>80,000</u>		<u>2,162,205</u>
 Total	 <u>\$ 80,255,179</u>	 <u>\$ 22,204,489</u>	 <u>\$ 1,079,962</u>	 <u>\$ 56,970,728</u>

\*Includes Provision for Debt Service

\*\*Includes Enterprise Funds Waste Management, Beaches, Marinas, Commercial Dock, and E&G Channel

\*\*\*Includes Land Management Enterprise Fund

Note: General Fund Appropriation includes \$500,000 of deficit reduction

Source: Adopted Budget of the Town of Southampton

**Budget Summaries**  
Fiscal Year Ending December 31, 2012

**Governmental Funds**

Fund	<u>Appropriations*</u>	<u>Reorganization Costs</u>	<u>Estimated Revenues</u>	<u>Appropriation Debt Reserve &amp; Fund Balance</u>	<u>Tax Levy</u>
General Fund	\$ 38,038,548	\$ 660,000	\$ 16,184,436	\$ 451,441	\$ 22,062,671
Police Fund	22,023,522	1,350,000	3,840,076	12,346	19,521,100
Part-Town Fund	4,786,530	150,000	3,168,950	9,498	1,758,082
Part-Town Highway	13,214,431	200,000	1,706,862	243,552	11,464,017
Emergency Dispatch - 911	<u>2,262,596</u>	<u>          </u>	<u>106,500</u>	<u>1,357</u>	<u>2,154,739</u>
<b>Total</b>	<b><u>\$ 80,325,627</u></b>	<b><u>\$ 2,360,000</u></b>	<b><u>\$ 25,006,824</u></b>	<b><u>\$ 718,194</u></b>	<b><u>\$ 56,960,609</u></b>

**Enterprise Funds**

Waste Management	\$ 2,378,256	\$	\$ 2,083,850	\$ 6,105	\$ 288,301
Conscience Point Marina	463,288		334,200		129,088
East Quogue Marina	16,000		16,000		
Beaches	<u>1,397,138</u>		<u>1,341,700</u>	<u>1,980</u>	<u>53,458</u>
	<b><u>\$ 4,254,682</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 3,775,750</u></b>	<b><u>\$ 8,085</u></b>	<b><u>\$ 470,847</u></b>

Source: Adopted Budget of the Town of Southampton

**TOWN OF SOUTHAMPTON**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2011**

