

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

Financial Statements and
Supplementary Information with
Independent Auditor's Reports
For the Year Ended December 31, 2021

TOWN OF SOUTHAMPTON
COMMUNITY PRESERVATION FUND
(A Special Revenue Fund of the Town of Southampton, New York)
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Southampton Community Preservation Fund as of December 31, 2021, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Community Preservation Fund and do not purport to, and do not, present fairly the financial position of the Town of Southampton as of December 31, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Southampton Community Preservation Fund, as of the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Southampton Community Preservation Fund. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of funds in the Town's capital projects fund and schedule of revenues, expenditures and changes in fund balance of the funds in the Town's capital projects fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the Town of Southampton Community Preservation Fund's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of funds in the Town's capital projects fund and schedule of revenues, expenditures and changes in fund balance of the funds in the Town's capital projects fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of capital assets has not been subjected to the auditing procedures applied in the audit of the Town of Southampton Community Preservation Fund's basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Cullen & Danowski, LLP

May 5, 2022

TOWN OF SOUTHAMPTON
COMMUNITY PRESERVATION FUND
(A Special Revenue Fund of the Town of Southampton, New York)
BALANCE SHEET
December 31, 2021

	<u>Operating</u>	<u>Water Quality</u>	<u>Total</u>
ASSETS			
Cash and			
cash equivalents, restricted	\$ 140,569,630	\$ 8,611,899	\$ 149,181,529
Prepaid expenses	39,836		39,836
Accounts receivable	292,495		292,495
Due from other governments	29,839,699		29,839,699
Due from other Town funds		2,200	2,200
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 170,741,660</u>	<u>\$ 8,614,099</u>	<u>\$ 179,355,759</u>
LIABILITIES & FUND BALANCE			
Liabilities			
Accounts payable and			
accrued liabilities	\$ 320,689	\$ 603,686	\$ 924,375
Due to other Town funds	3,081		3,081
	<u> </u>	<u> </u>	<u> </u>
	323,770	603,686	927,456
Fund Balance			
Nonspendable	39,836		39,836
Restricted	170,378,054	8,010,413	178,388,467
	<u> </u>	<u> </u>	<u> </u>
	170,417,890	8,010,413	178,428,303
Total Liabilities & Fund Balance	<u>\$ 170,741,660</u>	<u>\$ 8,614,099</u>	<u>\$ 179,355,759</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
For the Year Ended December 31, 2021

	<u>Operating</u>	<u>Water Quality</u>	<u>Total</u>
REVENUES			
Real estate transfer tax	\$ 121,702,222	\$	\$ 121,702,222
Interest income	432,607		432,607
Other income	17,955		17,955
State aid		27,897	27,897
	<u>122,152,784</u>	<u>27,897</u>	<u>122,180,681</u>
EXPENDITURES			
Land purchases	22,316,597		22,316,597
Salaries	671,684		671,684
Employee benefits	270,611		270,611
Property taxes	241,671		241,671
Payments in lieu of taxes	4,324,780		4,324,780
Property maintenance	236,191		236,191
Water quality improvements	1,584,697	5,431,119	7,015,816
Other expenses	450,931		450,931
	<u>30,097,162</u>	<u>5,431,119</u>	<u>35,528,281</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	280,000	6,930,555	7,210,555
Operating transfers out	<u>(9,730,555)</u>		<u>(9,730,555)</u>
	<u>(9,450,555)</u>	<u>6,930,555</u>	<u>(2,520,000)</u>
Net Change in Fund Balance	82,605,067	1,527,333	84,132,400
Fund Balance, Beginning of Year	<u>87,812,823</u>	<u>6,483,080</u>	<u>94,295,903</u>
Fund Balance, End of Year	<u>\$ 170,417,890</u>	<u>\$ 8,010,413</u>	<u>\$ 178,428,303</u>

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

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 conformity with accounting principles generally accepted in the United States of America (GAAP) 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 \$752 million, and has protected over 4,786 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 paid with 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 audited financial statements of the Town of Southampton include all Town funds. Additionally, the audited financial statements of the Town of Southampton would include all non-current assets and non-current liabilities for all Town funds. Management has segregated funds in the financial statements that are earmarked for water quality improvements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. These financial statements are accounted for using a current financial resources focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or within the first 60 days of the following year.

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the fund. Proceeds of general long-term debt are reported as other financing sources.

D. Cash and Cash Equivalents, Restricted

Cash and cash equivalents consist of funds deposited in demand accounts and time deposit accounts

E. 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; however, the Town only utilizes nonspendable and restricted:

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 - 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.

The fund balance of the Community Preservation Fund is primarily restricted.

F. 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.

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

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

H. Subsequent Events

The Community Preservation Fund has evaluated subsequent events for potential recognition or disclosure through May 5, 2022, the date the financial statements were available to be issued.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Town's investment practices are governed by state statutes and Town policy. Community Preservation Fund monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the Town may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

At December 31, 2021, all deposits were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf.

3. DUE FROM OTHER GOVERNMENTS

At December 31, 2021, the Community Preservation Fund was due \$29,839,699 from Suffolk County, related to unremitted real estate transfer taxes. The balance was fully collected.

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

4. INTERFUND TRANSACTIONS

Interfund activities at December 31, 2021, are as follows:

	Operating Transfers In	Operating Transfers Out
Community Preservation Fund - Operating	\$ 280,000	\$ (9,730,555)
Community Preservation Fund - Water Quality	6,930,555	-
Capital Projects Fund - Town of Southampton	3,035,492	(515,492)
Total	<u>\$ 10,246,047</u>	<u>\$ (10,246,047)</u>

The Community Preservation Fund typically transfers from operating to water quality and from operating to the Town of Southampton's general fund and capital fund for projects and costs related to community preservation, restorations and water quality activities. The operating transfers out from the Town of Southampton's capital fund related to unspent balances from completed projects associated with the Community Preservation Fund which were returned to the originating funding source.

5. FUND BALANCE

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

	Operating	Water Quality	Total
Nonspendable	\$ 39,836	\$ -	\$ 39,836
Restricted for:			
Community preservation operations	<u>170,378,054</u>	<u>8,010,413</u>	<u>178,388,467</u>
	<u>\$ 170,417,890</u>	<u>\$ 8,010,413</u>	<u>\$ 178,428,303</u>

6. COMMITMENTS AND CONTINGENCIES

A. Authorized but Unissued Bonds

The Community Preservation Fund had authorized, but unissued bonds approximating \$30,427,300 at December 31, 2021.

7. NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM

A. Plan Description

The Town of Southampton (Town) participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost sharing, multiple employer retirement system. The NYSERS provides

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

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 found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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:

2021	\$	81,825
2020		68,480
2019		59,321

See the Town's financial statements for more information.

8. RISKS AND UNCERTAINTIES

A. Town Audit

As of May 5, 2022, the Town's December 31, 2021, 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, 2021, 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 May 5, 2022, management is not aware of any potential hazardous materials or risks related to properties owned.

TOWN OF SOUTHAMPTON
COMMUNITY PRESERVATION FUND
(A Special Revenue Fund of the Town of Southampton, New York)
SCHEDULE OF FUNDS IN THE TOWN'S CAPITAL PROJECTS FUND

The following is an accounting of funds from the Community Preservation Fund that are included in the Town's Capital Projects Fund at December 31, 2021:

ASSETS

Cash and cash equivalents, restricted	\$ 4,192,980
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Total Assets	\$ 4,192,980
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LIABILITIES & FUND BALANCE

Liabilities

Accounts payable and accrued liabilities	\$
Due to other Town funds	125,000
	<u>125,000</u>

Fund Balance

Restricted	<u>4,067,980</u>
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Total Liabilities & Fund Balance	\$ 4,192,980
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TOWN OF SOUTHAMPTON
COMMUNITY PRESERVATION FUND
(A Special Revenue Fund of the Town of Southampton, New York)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
OF FUNDS IN THE TOWN'S CAPITAL PROJECTS FUND

The following is an accounting of activity of funds from the Community Preservation Fund that are included in the Town's Capital Projects Fund for the year ended December 31, 2021:

EXPENDITURES	
Capital restoration expenses	<u>\$ 464,062</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	3,035,492
Operating transfers out	<u>(515,492)</u>
	<u>2,520,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,055,938
Fund Balance, Beginning of Year	<u>2,012,042</u>
Fund Balance, End of Year	<u>\$ 4,067,980</u>

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

	Beginning Balance January 1, 2021	Acquisitions & Related Costs	Disposals	Ending Balance December 31, 2021
Land and other interests in real property	\$ 756,466,312	\$ 23,405,432	\$ -	\$ 779,871,744
Vehicles	108,581	68,864		177,445
	<u>\$ 756,574,893</u>	<u>\$ 23,474,296</u>	<u>\$ -</u>	<u>\$ 780,049,189</u>

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**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, 2021, and the related notes to the financial statements and have issued our report thereon dated May 5, 2022.

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

May 5, 2022

