

**Town of Southampton Community  
Preservation Fund  
(A Special Revenue Fund of the Town of  
Southampton, New York)**

Financial Report

December 31, 2013

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

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## Independent Auditor's Report

Board of Directors  
Town of Southampton Community  
Preservation Fund  
Southampton, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Southampton Community Preservation Fund (Community Preservation Fund), which comprise the balance sheet of the governmental funds and account groups as of December 31, 2013, and the related statement of revenues, expenditures, and changes in fund balance for the governmental funds for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental funds of the Community Preservation Fund as of December 31, 2013, and the changes in financial position of the governmental funds for the year then ended, in accordance with accounting and reporting provisions permitted by the New York State Office of the State Comptroller described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared by the Community Preservation Fund on the basis of accounting and reporting provisions permitted by the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, on our consideration of the Community Preservation Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Community Preservation Fund's internal control over financial reporting and compliance.

### **Restriction on Use**

Our report is intended solely for the information and use of the Town of Southampton Community Preservation Fund and the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

SaxBST LLP

Albany, New York  
April 29, 2014



**Town of Southampton Community Preservation Fund**  
**(A Special Revenue Fund of the Town of Southampton, New York)**

Balance Sheet - Community Preservation Fund and Account Groups - Regulatory Basis

December 31, 2013				
Governmental Fund Types				
Account Groups				
	Community Preservation Fund - Operating	Community Preservation Fund - Capital	Non-Current Governmental Assets	Non-Current Governmental Liabilities
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS</b>				
Cash and cash equivalents, restricted	\$ 53,000,761	\$ 1,694,440	\$ -	\$ -
Accounts receivable, net	2,500	-	-	-
Prepaid expenses	3,753	-	-	-
Due from other governments	9,302,938	-	-	-
Due from other Town funds	-	7,328	-	-
Capital assets	-	-	474,263,536	-
	<u>62,309,952</u>	<u>1,701,768</u>	<u>474,263,536</u>	<u>-</u>
<b>OTHER DEBITS</b>				
Amount to be provided for retirement of general long-term debt	-	-	-	58,137,000
	<u>\$ 62,309,952</u>	<u>\$ 1,701,768</u>	<u>\$474,263,536</u>	<u>\$ 58,137,000</u>
<b>LIABILITIES, OTHER CREDITS, AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 56,354	\$ -	\$ -	\$ -
Due to other Town funds	22	-	-	-
Installment purchase obligations	-	-	-	6,572,000
Bonds payable	-	-	-	51,565,000
	<u>56,376</u>	<u>-</u>	<u>-</u>	<u>58,137,000</u>
<b>OTHER CREDITS</b>				
Investment in capital assets	-	-	474,263,536	-
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>FUND BALANCE</b>				
Nonspendable	3,753	-	-	-
Restricted	62,249,823	1,701,768	-	-
Total fund balance	<u>62,253,576</u>	<u>1,701,768</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, OTHER CREDITS, AND FUND BALANCE</b>	<u><b>\$ 62,309,952</b></u>	<u><b>\$ 1,701,768</b></u>	<u><b>\$474,263,536</b></u>	<u><b>\$ 58,137,000</b></u>

See accompanying Notes to Regulatory Financial Statements.

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Statement of Revenues, Expenditures, and Changes In  
Fund Balance - Community Preservation Fund - Regulatory Basis

	<b>Year Ended December 31, 2013</b>	
	<b>Community Preservation Fund - Operating</b>	<b>Community Preservation Fund - Capital</b>
<b>REVENUES</b>		
Real estate transfer tax	\$ 58,058,512	\$ -
Interest income	126,817	-
Grant and other income	1,725	142,172
State aid	-	7,328
Total revenues	58,187,054	149,500
<b>EXPENDITURES</b>		
Land purchases	25,498,024	-
Salaries	312,325	-
Employee benefits	167,873	-
Property taxes	297,332	-
Payments in lieu of taxes	2,872,770	-
Property maintenance	95,422	-
Capital restoration expenses	-	132,695
Other expenses	201,133	-
Debt service		
Principal	7,440,000	-
Interest	2,007,919	-
Total expenditures	38,892,798	132,695
<b>Excess of revenues over expenditures</b>	<b>19,294,256</b>	<b>16,805</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	55,644	879,650
Operating transfers out	(879,650)	(55,644)
Total other financing sources (uses)	(824,006)	824,006
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>18,470,250</b>	<b>840,811</b>
<b>FUND BALANCE, <i>beginning of year</i></b>	<b>43,783,326</b>	<b>860,957</b>
<b>FUND BALANCE, <i>end of year</i></b>	<b>\$ 62,253,576</b>	<b>\$ 1,701,768</b>

See accompanying Notes to Regulatory Financial Statements.

# **Town of Southampton Community Preservation Fund (A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

## **Note 1 - Organization and Summary of Significant Accounting Policies**

### *a. Organization*

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.

The Community Preservation Fund is supported by revenues from a 2% real estate transfer tax. This revenue is used to purchase farmland, open space, certain real property, and ground water protection. Since inception, the Community Preservation Fund has received revenues, and has made related purchases of land, of approximately \$449 million, and has protected over 2,800 acres of land throughout the Town. The Town has become a leader in land preservation with the assistance of matching funds from Suffolk County, New York State, and the federal government. An additional \$30 million was made available under a state low-interest, short-term loan program, further enhancing the Town's ability to purchase land in an ever-increasing competitive real estate market. The Town has also authorized bonds to advance its purchasing ability, which is expected to be supported by future revenues of the Community Preservation Fund through the year 2030. 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.

### *b. Basis of Accounting and Financial Statement Presentation*

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

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

This basis of reporting will, in some instances, differ with the Community Preservation Fund as reported in the Town's AFRUD submission to the OSC.

The regulatory basis varies from accounting principles generally accepted in the United States of America (U.S. GAAP) primarily in that under U.S. GAAP:

- Financial statements are replaced with the basic financial statements, and include two additional statements, the statement of net position and the statement of activities, collectively referred to as the "government-wide" financial statements which are presented on the full accrual basis of accounting. Under the accrual basis, revenues and expenses are recognized when incurred regardless of when the actual cash receipt or disbursement occurred.

# Town of Southampton Community Preservation Fund (A Special Revenue Fund of the Town of Southampton, New York)

Notes to Regulatory Financial Statements  
December 31, 2013

## Note 1 - Organization and Summary of Significant Accounting Policies - Continued

### *b. Basis of Accounting and Financial Statement Presentation - Continued*

- A Management's Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government's financial activities, both on a current and long-term basis, based on current conditions.
- Fund-based financial statements must be reconciled to the "government-wide" financial statements.
- Capital assets, other than land, are depreciated and reported on the "government-wide" statement of net position at net book value, and depreciation expense is allocated to the major functions on the statement of activities based on the use of the underlying assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis using a current financial resources focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances. Using this basis of accounting, all capital assets wholly or partially financed by debt would be reported in the Town's Capital Projects Fund, and all non-current assets and non-current debt would be reported in the General Fixed Assets and General Long-Term Debt Group of Accounts.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both 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.

Governmental fund expenditures are recorded when the fund liability is incurred, except that:

- Principal and interest on indebtedness are not recognized as an expenditure until due.
- Costs of acquiring fixed assets are recorded as expenditures when the related acquisition amounts are due and payable.

### *c. Estimates*

The preparation of financial statements in conformity with the accounting practices as prescribed by the OSC requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

### *d. Fund Accounting*

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

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 1 - Organization and Summary of Significant Accounting Policies - Continued**

*d. Fund Accounting - Continued*

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

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

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

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

*e. Cash and Cash Equivalents, Restricted*

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

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

Collateral is required by State statute for certificates of deposit and for all deposits not covered by FDIC insurance. The Community Preservation Fund's investment policy requires all other deposits in excess of FDIC insurance to be collateralized. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State, municipalities, and school districts.

At December 31, 2013, all deposits were covered by FDIC insurance or fully collateralized by securities pledged on the Town's behalf.

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 1 - Organization and Summary of Significant Accounting Policies - Continued**

*f. Capital Assets*

Capital assets are composed of vehicles, land, and other interests purchased for preservation, which includes some properties containing historical buildings. These assets are recorded at cost. Under the modified accrual basis, no depreciation expense is recorded on any of the vehicles or buildings. Expenditures made to restore any of the buildings are capitalized in the non-current government assets account group, and normal maintenance costs are expensed in the year incurred.

*g. Fund Balance*

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

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

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

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

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

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

*h. 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. 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 Regulatory Financial Statements  
December 31, 2013

**Note 1 - Organization and Summary of Significant Accounting Policies - Continued**

*i. Subsequent Events*

The Community Preservation Fund has evaluated subsequent events for potential recognition or disclosure through April 29, 2014, the date the financial statements were available to be issued.

*j. New Accounting Pronouncements*

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements.

GASB Statement No. 66, *Technical Corrections - an Amendment of Statements No. 10 and No. 62*, establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements.

The Community Preservation Fund adopted GASB Statements No. 65 and No. 66 as of January 1, 2013. There was no significant impact to the financial statements as a result of adopting these standards.

**Note 2 - Due From Other Governments**

At December 31, 2013, the Community Preservation Fund was due \$9,302,938 from Suffolk County, related to unremitted real estate transfer taxes. The balance was fully collected in January 2014.

**Note 3 - Capital Assets**

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

	Beginning Balance January 1, 2013	Acquisitions and Related Costs	Disposals	Ending Balance December 31, 2013
Land and other interests in real property	\$448,627,985	\$ 25,611,428	\$ -	\$474,239,413
Vehicles	24,123	-	-	24,123
	<u>\$448,652,108</u>	<u>\$ 25,611,428</u>	<u>\$ -</u>	<u>\$474,263,536</u>

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 4 - Fund Balance**

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

	December 31, 2013		
	Community Preservation Fund	Capital Projects	Total
Nonspendable			
Prepaid expenses	\$ 3,753	\$ -	\$ 3,753
Restricted for			
Community preservation operations	52,748,171	-	52,748,171
Debt service reserve	9,501,652	-	9,501,652
Restoration capital projects	-	1,701,768	1,701,768
Total restricted fund balance	62,249,823	1,701,768	63,951,591
Total fund balance	\$ 62,253,576	\$ 1,701,768	\$ 63,955,344

**Note 5 - Indebtedness**

*a. Bonds Payable*

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

A summary of the bonds outstanding is as follows:

	December 31, 2013				
Purpose	Date Issued	Original Issue Amount	Interest Range Rate	Matures	Outstanding at December 31, 2013
Land acquired for preservation	03/13/03	\$ 872,552	1.0% to 4.5%	03/13/20	\$ 365,000
Land acquired for preservation	03/04/04	14,482,931	1.1% to 4.2%	03/04/20	6,690,000
Land acquired for preservation	11/01/04	5,000,000	3.1% to 4.0%	11/01/20	2,550,000
Land acquired for preservation	01/15/09	20,000,000	3.0% to 4.4%	12/15/30	16,900,000
Land acquired for preservation	04/15/09	20,000,000	3.0% to 4.5%	04/01/30	16,900,000
Refunding bond, land acquired for preservation	10/01/12	9,270,000	2.0% to 5.0%	10/01/20	8,160,000
Total					\$ 51,565,000

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 5 - Indebtedness - Continued**

*a. Bonds Payable - Continued*

Aggregate maturities of Bond debt service are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,			
2014	\$ 4,095,000	\$ 1,906,652	\$ 6,001,652
2015	4,115,000	1,783,332	5,898,332
2016	4,275,000	1,656,169	5,931,169
2017	4,325,000	1,511,052	5,836,052
2018	4,510,000	1,358,668	5,868,668
2019 through 2023	15,245,000	4,552,639	19,797,639
2024 through 2028	10,600,000	2,223,719	12,823,719
2029 through 2030	4,400,000	243,375	4,643,375
	<u>\$ 51,565,000</u>	<u>\$ 15,235,606</u>	<u>\$ 66,800,606</u>

*b. Installment Purchase Obligation*

During October 2011, the Community Preservation Fund entered into a \$19,572,700 installment purchase obligation to finance the cost of acquisition of certain permanent interests in land. The balance of this obligation was \$6,572,000 at December 31, 2013, and is reported in the Non-Current Governmental Liabilities Account Group.

Terms of the obligation include an initial principal payment of \$6,000,000, and annual principal installments of \$3,500,000 due on October 1, 2012, 2013, and 2014, and a final principal payment of \$3,072,700 on October 1, 2015. The obligation is non-interest bearing. However, any installment of principal not paid by the due date shall bear interest from such date at a rate of 5% per annum to the date of payment. The obligation may not be prepaid.

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

	Year Ended December 31, 2013				
	<u>January 1, 2013</u>	<u>Issued</u>	<u>Refunded</u>	<u>Principal Payments</u>	<u>December 31, 2013</u>
Bonds payable	\$ 55,505,000	\$ -	\$ -	\$ (3,940,000)	\$ 51,565,000
Installment purchase obligation	10,072,000	-	-	(3,500,000)	6,572,000
	<u>\$ 65,577,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,440,000)</u>	<u>\$ 58,137,000</u>

**Note 6 - Commitments and Contingencies**

*a. Contracts*

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

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 6 - Commitments and Contingencies - Continued**

*b. Authorized but Unissued Bonds*

The Community Preservation Fund had authorized, but unissued bonds approximating \$42,000,000 at December 31, 2013.

**Note 7 - New York State Employees' Retirement System**

*a. Plan Description*

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

*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, and (2) employees who join after January 1, 2010, will contribute 3% of their salary for their entire career. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. Contributions to the NYSERS allocated by the Town to the Fund, were as follows:

For the year ended December 31,	
2013	\$ 53,705
2012	39,740
2011	33,393

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

**Note 8 - Risks and Uncertainties**

*a. Town Audit*

As of April 29, 2014, the Town's December 31, 2013, 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, 2013, and for the year then ended.

# Town of Southampton Community Preservation Fund (A Special Revenue Fund of the Town of Southampton, New York)

Notes to Regulatory Financial Statements  
December 31, 2013

## Note 8 - Risks and Uncertainties - Continued

### *b. Environmental Risks*

The Community Preservation Fund is subject to federal, state, and local regulations relating to the disposal of certain hazardous materials. At April 29, 2014, management is not aware of any potential hazardous materials or risks related to properties owned.

## Note 9 - Accounting Standards Issued Not Yet Implemented

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement established accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement provides specific accounting and financial reporting guidance for combinations in this environment and improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement provides financial reporting and disclosure guidance to those governments that extend and receive nonexchange financial guarantees, thereby enhancing comparability of financial statements among governments.

**Town of Southampton Community Preservation Fund  
(A Special Revenue Fund of the Town of Southampton, New York)**

Notes to Regulatory Financial Statements  
December 31, 2013

**Note 9 - Accounting Standards Issued Not Yet Implemented - Continued**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of statement No. 68.

Management has not yet estimated the potential impact of the statements on the Community Preservation Fund's financial statements.

**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***

Honorable Supervisor and Town Board  
Town of Southampton Community Preservation Fund  
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 governmental funds and account groups of the Town of Southampton Community Preservation Fund (Community Preservation Fund) as of December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2014.

**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 control) 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Community Preservation Fund'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 Community Preservation Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York  
April 29, 2014