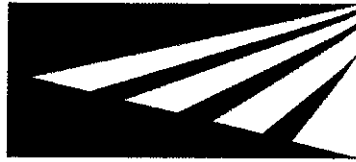


**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2015 AND 2014**  
**TOGETHER WITH AUDITOR'S REPORT**

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Town of Southampton Housing Authority:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of the Town of Southampton Housing Authority (the "Authority"), a component unit of the Town of Southampton, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Qualified

# NawrockiSmith

## ***Basis for Qualified Opinion on the Discretely Presented Component Unit***

The financial statements of the Southampton Community Housing and Development Corporation (the "Corporation") have not been audited, and we were not engaged to audit the Corporation's financial statements as a part of the Authority's basic financial statements. The Corporation's financial activities are included in the Authority's basic financial statements as a discretely presented component unit and represent 34.4 percent, 76.9 percent and 34.2 percent of the assets, net position, and revenues respectively, of the Authority.

## ***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the Town of Southampton Housing Authority, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Town of Southampton Housing Authority as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Melville, New York  
May 19, 2016

*Nawrocki-Smith LLP*

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

The following is a discussion and analysis of the Town of Southampton Housing Authority's financial performance for the fiscal year ended December 31, 2015. This section is a summary of the Authority's financial activities based on currently known facts, decisions or conditions. This section is only an introduction and should be read in conjunction with the Authority's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The Authority's total assets decreased \$262,133, or 5.4% from the previous year. The Authority's total liabilities decreased \$189,756, or 4.5% from the previous year.
- Operating revenues were \$929,819 as compared to \$826,067, in the previous year and represents an increase of \$103,752 or 12.6%. Operating expenses were \$861,263 as compared to \$785,747 in the previous year and represents an increase of \$75,516 or 9.6%. Operating results produced an operating profit of \$68,556 as compared to an operating profit of \$40,320 in the previous year.
- Non-operating revenues for the year ended December 31, 2015 were \$127,884 and non-operating expenses were \$268,817. Non-operating expenses include interest on long-term debt in the amount of \$140,994.
- The Authority's total non-operating loss for the year ended December 31, 2015 was \$140,933 as compared to a \$109,838 non-operating loss in 2014. The increase in the non-operating loss is the result of interest payments related to the note payable.
- The Authority had capital asset additions of \$15,997 for the current year as compared to \$73,523 in the previous year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: required supplementary information, including management's discussion and analysis (this section) and the basic financial statements. The financial statements include all of the activities of the Authority:

- The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position report information about the Authority as a whole and about its activities. These financial statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are then taken into account regardless of when cash is received or paid. These two financial statements report the Authority's net position and changes in net position.
- The notes to financial statements provide additional information that is essential to have a full understanding of the data provided in the financial statements. The notes to financial statements can be found immediately following the financial statements.

Table A-1 summarizes the major features of the Authority's financial statements, including the portion of the Authority's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the financial statements.

Scope	Entire Authority
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows (Direct Method)</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows of resources, liability, deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid

### FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

At the close of the current year, the Authority reported a net position of \$498,848 (see Table A-2). Of this amount, the unrestricted portion is in a net deficit position of \$51,642 representing a decrease of \$26,638 or 106.5% from the previous year. The restricted portion is \$285,151, comparable with 2014. Net investment in capital assets is \$265,339 representing a decrease of \$45,818 or 14.7%.

Capital assets, net decreased \$119,927 or 3.5% compared to the previous year and primarily reflect the impact of current year depreciation exceeding capital spending. See Note 5 of the Notes to Financial Statements for more information on capital assets.

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets:</b>				
Current and other assets	\$ 1,233,532	\$ 1,375,738	\$ (142,206)	(10.3)
Capital assets, net	<u>3,326,141</u>	<u>3,446,068</u>	<u>(119,927)</u>	(3.5)
Total assets	<u>\$ 4,559,673</u>	<u>\$ 4,821,806</u>	<u>\$ (262,133)</u>	(5.4)
<b>Liabilities:</b>				
Current liabilities	\$ 138,902	\$ 254,628	\$ (115,726)	(45.4)
Non-current liabilities	<u>3,921,923</u>	<u>3,995,953</u>	<u>(74,030)</u>	(1.9)
Total liabilities	<u>\$ 4,060,825</u>	<u>\$ 4,250,581</u>	<u>\$ (189,756)</u>	(4.5)
<b>Net position:</b>				
Net investment in capital assets	\$ 265,339	\$ 311,157	\$ (45,818)	(14.7)
Restricted	285,151	285,072	79	0.0
Unrestricted	<u>(51,642)</u>	<u>(25,004)</u>	<u>(26,638)</u>	(106.5)
Total net position	<u>\$ 498,848</u>	<u>\$ 571,225</u>	<u>\$ (72,377)</u>	(12.7)

**Changes in Net Position**

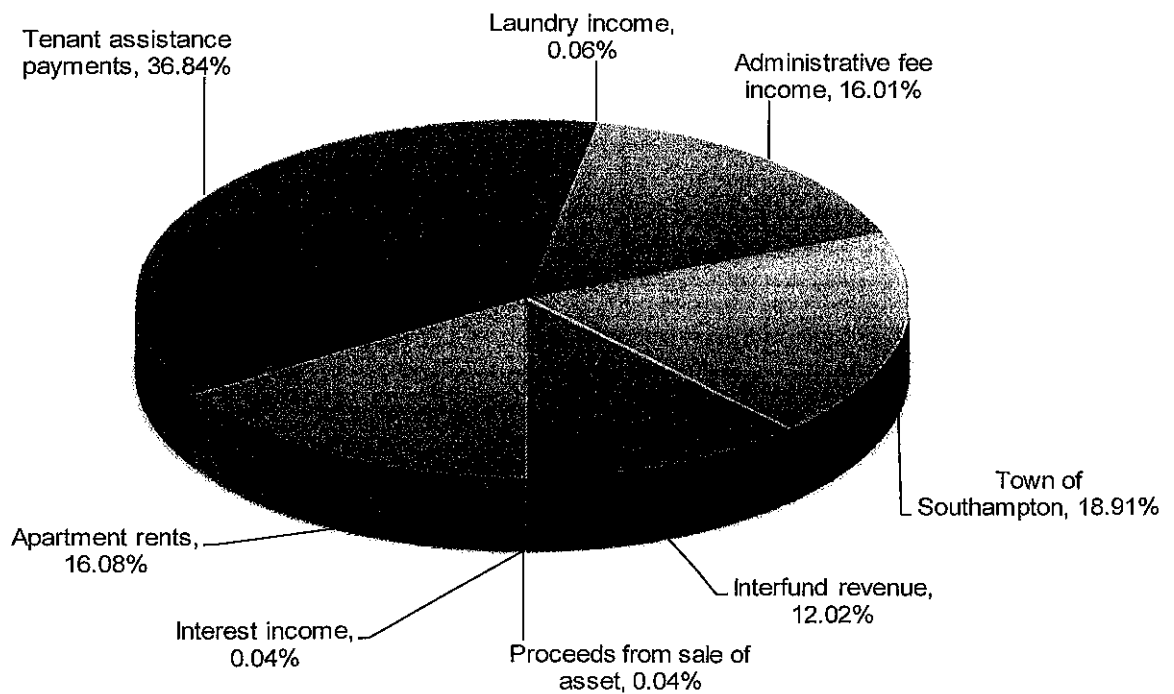
The Authority's fiscal year 2015 revenues totaled \$1,057,703, which is 28.1% higher than fiscal year 2014 (see Table A-3). Total operating revenues accounted for 87.8% of total revenues (see Table A-4). The remainder came from interfund revenue, interest income and proceeds from sale of asset.

The Authority's fiscal year 2015 expenses totaled \$1,130,080 which is 26.2% higher than fiscal year 2014 (see Table A-3). Total operating expenses accounted for 76.3% of total expenses, which is predominately related to administrative salaries, employee benefits cost and depreciation (see Table A-6).

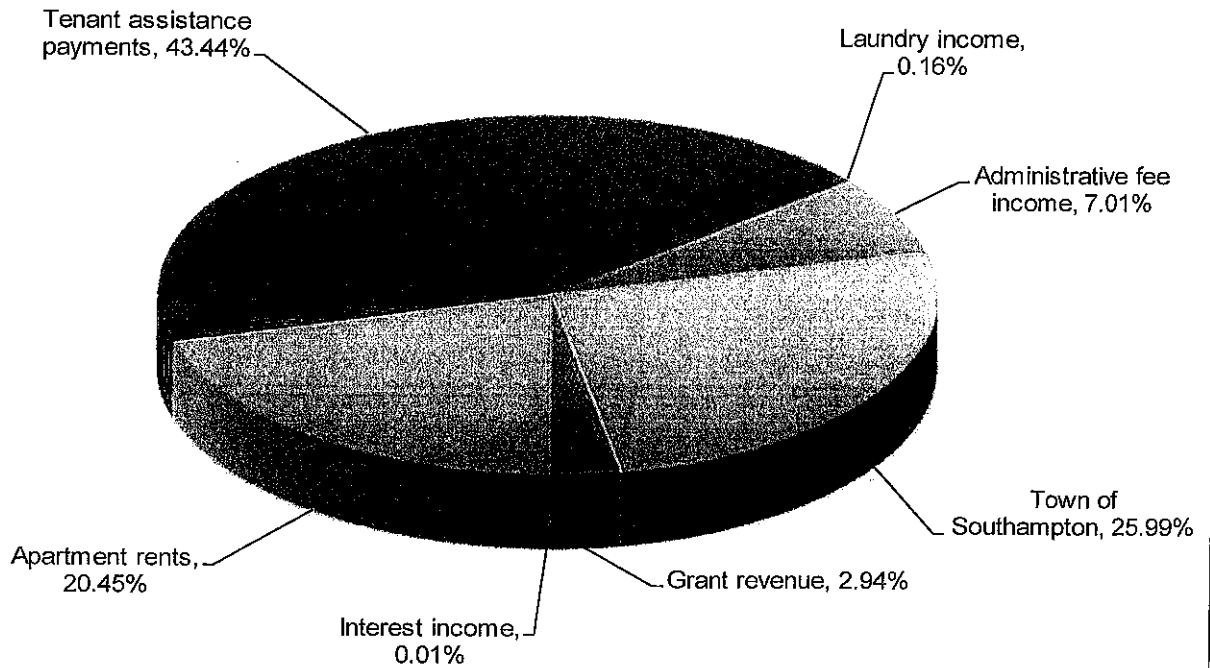
**Table A-3: Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues	\$ 929,819	\$ 826,067	\$ 103,752	12.6
Operating expenses	<u>(861,263)</u>	<u>(785,747)</u>	<u>75,516</u>	9.6
Operating profit	<u>68,556</u>	<u>40,320</u>	<u>28,236</u>	70.0
Non-operating revenues	127,884	120	127,764	106,470.0
Non-operating expenses	<u>(268,817)</u>	<u>(109,958)</u>	<u>158,859</u>	144.5
Non-operating loss	<u>(140,933)</u>	<u>(109,838)</u>	<u>(31,095)</u>	(28.3)
Change in net position	<u>\$ (72,377)</u>	<u>\$ (69,518)</u>	<u>\$ (2,859)</u>	(4.1)

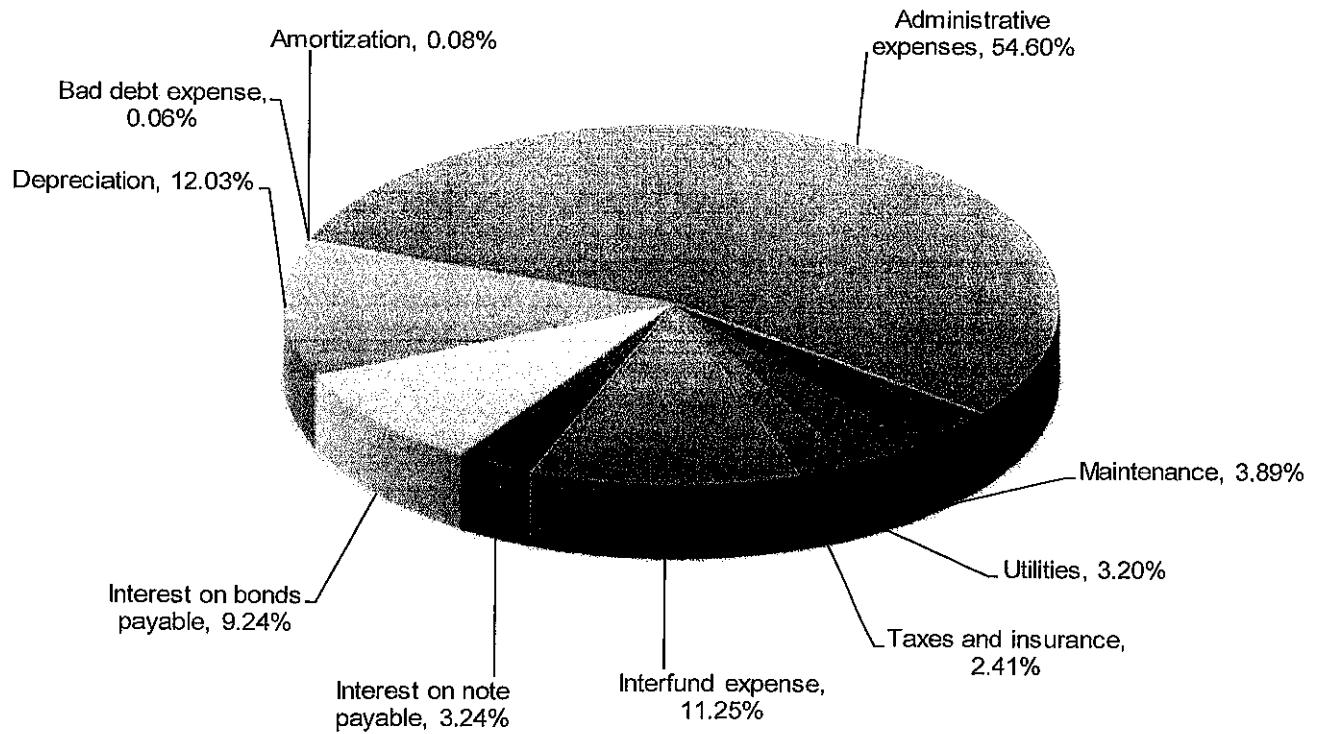
**Table A-4: Sources of Revenues Fiscal Year 2015**



**Table A-5: Sources of Revenues Fiscal Year 2014**

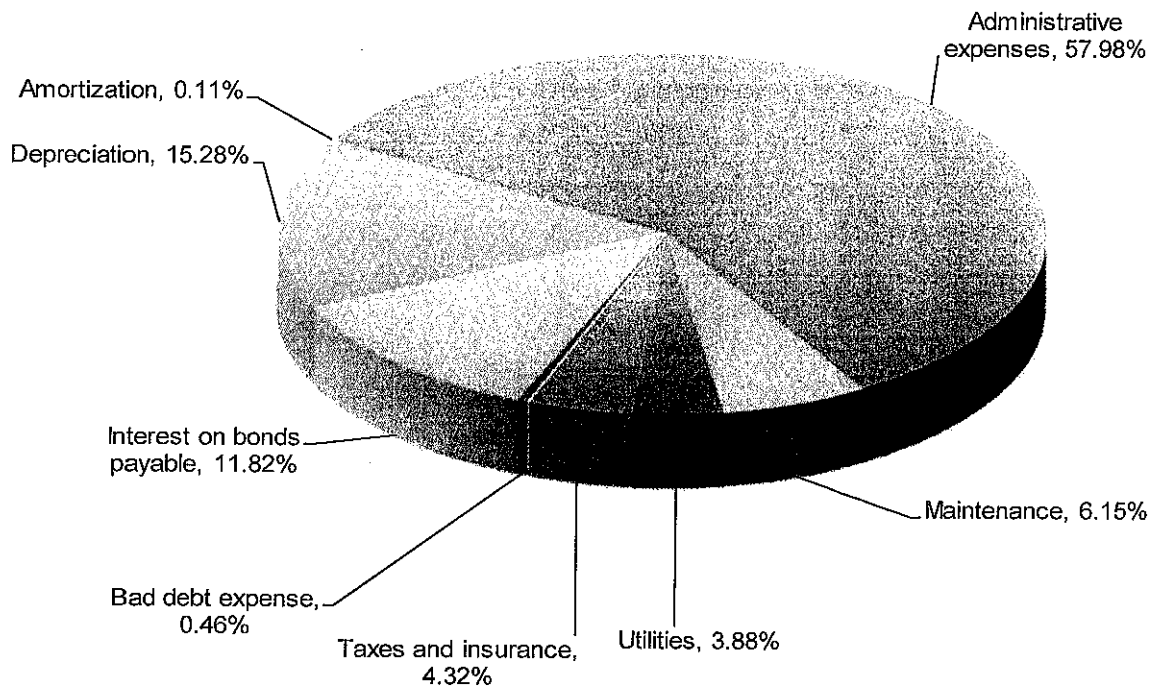


**Table A-6: Expenses for Fiscal Year 2015**





**Table A-7: Expenses for Fiscal Year 2014**



- Operating revenues increased due to the Authority receiving grant funding from the Town of Southampton, which was then passed through to the Southampton Community Development Corporation to be granted as a buyer benefit credit toward the purchase of affordable housing.
- Operating expenses increased due to the Authority paying \$200,000 to the Southampton Community Development Corporation for a grant related to the purchase and construction of affordable housing in the Town of Southampton.
- Non-operating revenues and expenses increased due to the write-off of interfund balances during 2015, and as the result of an increase in interest expense from the Authority's note payable.

### **FINANCIAL ANALYSIS OF THE AUTHORITY AND BUDGETARY HIGHLIGHTS**

For the year ended December 31, 2015, individual program or grant budgets were prepared by the Authority and adopted by the Board of Directors. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

During 2015, actual revenues exceeded budgeted amounts by \$250,075, with total expenditures exceeding budgeted amounts by \$139,190. The increase in actual revenues is primarily related to an increase in other income from the Town of Southampton and interfund revenues. The increase in total expenditures is primarily related to depreciation expense of \$135,924.

At December 31, 2015, the Authority's combined net position of \$498,848, which is a decrease of \$72,377 from the previous year. Net position for the Authority's funds for the past two years were distributed as follows:

**Table A-8: Net Position - Business-type Activities**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Housing Authority:				
Net investment in capital assets	\$ 222,144	\$ 222,904	\$ (760)	(0.3)
Restricted	25,333	25,326	7	0.0
Unrestricted	<u>85,532</u>	<u>(13,189)</u>	<u>98,721</u>	748.5
Total Housing Authority	<u>333,009</u>	<u>235,041</u>	<u>97,968</u>	41.7
Hampton Bays Apartments:				
Net investment in capital assets	43,196	88,253	(45,058)	(51.1)
Restricted	259,818	259,746	72	0.0
Unrestricted	<u>(137,174)</u>	<u>(11,815)</u>	<u>(125,359)</u>	(1,061.0)
Total Hampton Bays Apartments	<u>165,839</u>	<u>336,184</u>	<u>(170,345)</u>	(50.7)
Total net position	<u>\$ 498,848</u>	<u>\$ 571,225</u>	<u>\$ (72,377)</u>	(12.7)

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

During 2015, the Authority invested \$15,997 in capital assets. Capital assets are as follows:

**Table A-9: Capital Assets**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 683,700	\$ 683,700	\$ -	0.0
Buildings	2,575,206	2,575,206	-	0.0
Building improvements	904,884	893,687	11,197	1.3
Equipment	<u>174,779</u>	<u>169,979</u>	<u>4,800</u>	2.8
	4,338,569	4,322,572	15,997	0.4
Accumulated depreciation	<u>(1,012,428)</u>	<u>(876,504)</u>	<u>135,924</u>	15.5
	<u>\$ 3,326,141</u>	<u>\$ 3,446,068</u>	<u>\$ 151,921</u>	3.5

#### Long-Term Debt

As of December 31, 2015, the Authority's current outstanding indebtedness consist of two bonds payable in the amount of \$3,377,000 before unamortized discounts of \$31,048 and two notes payable totaling \$650,000. The Authority's two revenue bonds are backed by the Authority's rental income from its two programs. The two notes payable are expected to be paid using the proceeds of income generated by future property sales and from management fees of affordable housing that are currently being planned and constructed. See Note 6 of the Notes to Financial Statements for further clarification of this transaction.

**Table A-10: Outstanding Long-Term Debt**

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable, net	\$ 3,345,953	\$ 3,419,983	\$ (74,030)	(2.2)
Notes payable	<u>650,000</u>	<u>650,000</u>	<u>-</u>	0.0
Totals	<u>\$ 3,995,953</u>	<u>\$ 4,069,983</u>	<u>\$ (74,030)</u>	(1.8)

### **FACTORS BEARING ON THE FUTURE OF AUTHORITY**

At the time these financial statements were prepared and audited, the Authority was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Inflationary pressure on utility rates, supplies and other costs.
- The administrative funding agreement between the Town of Southampton and the Authority expires during the fiscal year ending 2016, at which point, the Authority will have to self-fund their administrative expenses or negotiate a new contract. As of the date these financial statements were available to be issued, no new contract has been entered into extending past December 31, 2016.
- Since 2010, the Authority has administered the Section 8 Housing Choice Vouchers Program for the Town of Southampton. Since 2011, the Authority has administered the Community Development Block Grant for the Town of Southampton. The Authority does not recognize these programs within its financial statements because they are not the designated Federal grant recipient.
- Support of the community could affect the Authority's ability to provide affordable housing in the Town of Southampton.
- Changes in the amounts reported as the Fair Market Value Standard for affordable housing (typically by the U.S. Department of Housing and Urban Development), could impact the Authority's rental income.

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. If you have any questions about this report or need additional financial information, please contact:

Town of Southampton Housing Authority  
Attn: Executive Director  
57 Springville Road  
Hampton Bays, New York 11946  
(631) 488-4220

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AS OF DECEMBER 31, 2015 AND 2014**

	Business-type Activities		(Unaudited) Component Unit 2015	Business-type Activities		(As Restated) (Unaudited) Component Unit 2014
	Housing Authority	Hampton Bays Apartments		Housing Authority	Hampton Bays Apartments	
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash	\$ 27,494	\$ 19,816	\$ 47,310	\$ 38,392	\$ 16,931	\$ 56,323
Restricted cash	25,333	259,818	285,151	25,326	259,746	285,072
Accounts receivable, net	-	-	-	-	7,474	7,474
Due from Southampton Community	-	-	-	-	-	-
Housing and Development Corporation	219,992	-	219,992	89,722	-	89,722
Due from Town of Southampton	33,576	-	33,576	40,463	-	40,463
Interfund receivable	-	-	-	-	106,650	106,650
Prepaid expenses	-	17,615	17,615	-	17,615	17,615
Other assets	6,035	5,551	11,586	-	7,659	7,659
<b>Total current assets</b>	<b>312,430</b>	<b>302,800</b>	<b>615,230</b>	<b>193,903</b>	<b>415,075</b>	<b>608,978</b>
<b>Non-current assets:</b>						
Capital assets, net of accumulated depreciation	273,811	3,052,350	3,326,161	284,578	3,161,490	3,446,068
Work-in-process	-	-	-	-	-	-
Due from Southampton Community	-	-	-	150,000	-	150,000
Housing and Development Corporation	500,000	-	500,000	500,000	-	500,000
Loan receivable	-	103,002	103,002	-	101,313	101,313
Bond proceeds held by fiscal agent	2,232	13,068	15,300	2,232	13,215	15,447
Tenant's security deposits	778,043	3,168,400	3,944,443	936,810	3,276,018	4,212,828
<b>Total non-current assets</b>	<b>1,088,473</b>	<b>3,471,200</b>	<b>4,559,673</b>	<b>1,130,713</b>	<b>3,891,093</b>	<b>4,821,808</b>
<b>Total assets</b>	<b>\$ 1,088,473</b>	<b>\$ 3,471,200</b>	<b>\$ 4,559,673</b>	<b>\$ 1,130,713</b>	<b>\$ 3,891,093</b>	<b>\$ 4,821,808</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 5,016	\$ 14,160	\$ 19,176	\$ 20,944	\$ 4,292	\$ 25,236
Loan payable	21,216	7,500	28,716	28,846	2,500	32,346
Accrued expenses and payroll related expenses	-	-	-	105,950	-	105,950
Interfund payable	-	-	-	-	-	-
Due to Town of Southampton Housing Authority	10,000	64,030	74,030	10,000	64,030	74,030
Bonds payable, net - current portion	2,232	13,068	15,300	2,232	13,215	15,447
Tenant's security deposits payable	-	1,680	1,680	-	1,919	1,919
Prepaid tenant's rents	38,464	100,438	138,902	168,672	85,936	254,628
<b>Total current liabilities</b>	<b>87,000</b>	<b>3,204,923</b>	<b>3,271,923</b>	<b>77,000</b>	<b>3,268,953</b>	<b>3,345,953</b>
<b>Non-current liabilities:</b>						
Due to Town of Southampton Housing Authority	650,000	-	650,000	650,000	-	650,000
Bonds payable, net	717,000	3,204,923	3,921,923	727,000	3,268,953	3,995,953
Notes payable	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>755,464</b>	<b>3,305,361</b>	<b>4,080,625</b>	<b>895,672</b>	<b>3,354,909</b>	<b>4,250,581</b>
<b>Total liabilities</b>	<b>222,144</b>	<b>43,195</b>	<b>265,339</b>	<b>222,904</b>	<b>88,253</b>	<b>311,157</b>
<b>Net position:</b>						
Net investment in capital assets	25,333	259,818	285,151	25,326	259,746	285,072
Restricted	85,532	(137,174)	(51,642)	(13,193)	(11,815)	(25,004)
Unrestricted	333,009	165,839	498,848	235,041	336,184	571,225
<b>Total net position</b>	<b>1,088,473</b>	<b>3,471,200</b>	<b>4,559,673</b>	<b>1,130,713</b>	<b>3,691,093</b>	<b>4,821,808</b>
<b>Total liabilities and net position</b>	<b>\$ 1,088,473</b>	<b>\$ 3,471,200</b>	<b>\$ 4,559,673</b>	<b>\$ 1,130,713</b>	<b>\$ 3,691,093</b>	<b>\$ 4,821,808</b>

The accompanying notes to financial statements are an integral part of these statements.

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Business-type Activities			(Unaudited) Component Unit 2015	Business-type Activities			(As Restated) (Unaudited) Component Unit 2014
	Housing Authority	Hampton Bays Apartments	Total 2015		Housing Authority	Hampton Bays Apartments	Total 2014	
<b>Operating revenues:</b>								
Rental income -								
Apartment rents	\$ 25,485	\$ 144,842	\$ 170,127	\$ -	\$ 26,784	\$ 147,253	\$ 174,037	\$ -
Tenant assistance payments	-	389,686	389,686	-	-	389,794	369,794	-
Other income -								
Laundry income	-	625	625	-	-	1,352	1,352	-
Administrative fee income	169,371	-	169,371	-	164,174	-	164,174	-
Town of Southampton	200,000	-	200,000	-	71,200	-	71,200	-
Contribution income	-	-	-	1,516	-	-	-	-
Grant revenue	-	-	-	200,000	45,510	-	45,510	-
Sale of land held for affordable housing	-	-	-	57,943	-	-	-	-
<b>Total operating revenues</b>	<b>394,856</b>	<b>534,963</b>	<b>929,819</b>	<b>259,459</b>	<b>307,668</b>	<b>518,399</b>	<b>826,067</b>	<b>126,946</b>
<b>Operating expenses:</b>								
Administrative expenses -								
Salaries	70,533	168,663	239,196	-	220,828	129,791	350,619	-
Employee benefits	40,181	47,141	87,322	-	26,156	45,927	72,083	-
Management fee	-	-	-	-	-	9,999	9,999	-
Audit fee	7,500	7,500	15,000	-	7,500	7,500	15,000	-
Other administrative expenses	240,779	34,763	275,542	-	49,496	22,142	71,638	-
Maintenance	1,002	42,949	43,951	-	15,006	40,072	55,078	-
Property development program expense	-	-	-	126,199	-	-	-	113,536
Utilities	-	36,129	36,129	-	-	34,783	34,783	-
Taxes and insurance	11,166	16,063	27,229	-	18,246	20,492	38,738	-
Depreciation	13,166	122,758	135,924	-	12,686	124,153	136,839	-
Amortization	-	970	970	-	-	970	970	-
<b>Total operating expenses</b>	<b>384,327</b>	<b>476,936</b>	<b>861,263</b>	<b>126,199</b>	<b>349,918</b>	<b>435,829</b>	<b>785,747</b>	<b>113,536</b>
<b>Operating income (loss)</b>	<b>10,529</b>	<b>58,027</b>	<b>68,556</b>	<b>133,260</b>	<b>(42,250)</b>	<b>82,570</b>	<b>40,320</b>	<b>13,410</b>
<b>Non-operating revenues (expenses):</b>								
Interfund revenue	127,114	-	127,114	-	-	-	-	-
Interfund expense	-	(127,114)	(127,114)	-	-	-	-	-
Miscellaneous	-	-	-	4,920	-	-	-	-
Proceeds from sale of asset	-	350	350	-	-	-	-	-
Interest income	6	414	420	40	120	-	120	-
Bad debt expense	-	(709)	(709)	-	-	(4,119)	(4,119)	-
Interest on note payable	(36,592)	-	(36,592)	-	-	-	-	4,119
Interest on bonds payable	(3,089)	(101,313)	(104,402)	-	(3,513)	(102,326)	(105,839)	-
<b>Total non-operating income (loss)</b>	<b>87,439</b>	<b>(228,372)</b>	<b>(140,933)</b>	<b>4,960</b>	<b>(3,393)</b>	<b>(106,445)</b>	<b>(109,838)</b>	<b>4,119</b>
<b>Change in net position</b>	<b>97,968</b>	<b>(170,345)</b>	<b>(72,377)</b>	<b>138,220</b>	<b>(45,643)</b>	<b>(23,875)</b>	<b>(69,518)</b>	<b>17,529</b>
<b>Total net position, beginning of year</b>	<b>235,041</b>	<b>336,184</b>	<b>571,225</b>	<b>(23,308)</b>	<b>280,684</b>	<b>360,059</b>	<b>640,743</b>	<b>(40,837)</b>
<b>Total net position, end of year</b>	<b>\$ 333,009</b>	<b>\$ 165,839</b>	<b>\$ 498,848</b>	<b>\$ 114,912</b>	<b>\$ 235,041</b>	<b>\$ 336,184</b>	<b>\$ 571,225</b>	<b>\$ (23,308)</b>

The accompanying notes to financial statements are an integral part of these statements.

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Direct Method)

	Business-type Activities			(Unaudited) Component Unit 2015	Business-type Activities			(Unaudited) Component Unit 2014
	Housing Authority	Hampton Bays Apartments	Total 2015		Housing Authority	Hampton Bays Apartments	Total 2014	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Revenue collected:								
Rental income	\$ 25,485	\$ 540,864	\$ 566,349	\$ -	\$ 28,784	\$ 511,261	\$ 538,045	\$ -
Other income	369,371	625	369,996	206,476	280,884	1,352	282,236	4,119
Cash received for sale of land held for affordable housing	-	-	-	57,943	-	-	-	126,946
Payments for expenses:								
Cash paid to suppliers of goods or services	(284,153)	(120,428)	(404,581)	(106,676)	(89,484)	(148,721)	(238,205)	(114,566)
Cash paid to employers for services and related expenses	(110,714)	(213,804)	(326,518)	-	(246,984)	(175,718)	(422,702)	-
Other operating cash payments	-	(147)	(147)	-	-	391	-	-
Net cash provided (used) by operating activities	(11)	205,110	205,099	157,743	(28,800)	188,565	159,765	16,499
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>								
Purchase of capital assets	(2,399)	(13,598)	(15,997)	(563,570)	-	(73,523)	(73,523)	(1,075)
Increase in work-in-process	-	350	350	-	-	-	-	-
Proceeds from sale of asset	-	(1,688)	(1,688)	-	-	(711)	(711)	-
Payment of bond proceeds to fiscal agent	-	-	-	(19,730)	-	-	-	(52,858)
Increase in due to Town of Southampton Housing Authority	-	-	-	-	-	-	-	-
Cash paid to (received from) Southampton Community Housing and Development Corporation	19,730	-	19,730	-	19,350	29,389	48,739	-
Proceeds from loans payable	(10,000)	(65,000)	(75,000)	482,249	(10,000)	(65,000)	(75,000)	-
Principal payment on bonds payable	(36,592)	(101,313)	(136,592)	-	(10,000)	(65,000)	(75,000)	-
Interest on notes payable	(3,089)	-	(3,089)	-	(3,513)	(102,326)	(105,839)	-
Interest payment on bonds payable	(32,950)	(181,250)	(213,500)	(101,051)	5,837	(212,171)	(208,334)	(63,933)
Net cash provided (used) by capital financing activities	127,114	(127,114)	-	-	47,050	(47,050)	-	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>								
Interfund activity	(105,680)	105,680	-	-	-	-	-	-
Increase in interfund activity	21,484	(21,484)	-	-	47,050	(47,050)	-	-
Net cash provided (used) by non-capital financing activities	6	414	420	-	120	(391)	120	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest income	-	147	147	-	-	-	-	-
(Increase) decrease in tenant security deposits	-	-	-	-	-	-	-	-
Net cash provided (used) by investing activities	6	561	567	-	120	(391)	(271)	-
<b>NET INCREASE (DECREASE) IN CASH</b>	(10,891)	2,957	(7,934)	58,682	24,207	(71,047)	(46,840)	(37,434)
<b>CASH, BEGINNING OF YEAR</b>	63,718	276,677	340,395	120,785	39,511	347,724	387,235	156,219
<b>CASH, END OF YEAR</b>	52,827	279,634	332,461	177,477	63,718	276,677	340,395	120,785
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Operating income (loss)	\$ 10,929	\$ 58,027	\$ 68,956	\$ 138,220	\$ (42,250)	\$ 82,570	\$ 40,320	\$ 17,529
Adjustments to reconcile change in operating income (loss) to net cash provided (used) by operating activities								
Depreciation	13,166	122,758	135,924	-	12,686	124,153	136,839	-
Amortization	-	970	970	-	-	970	970	-
Forgiveness of debt	-	-	-	-	-	-	-	-
(Increase) decrease in accounts receivable	-	6,765	6,765	-	-	4,119	4,119	-
Increase in due from Town of Southampton	6,887	-	6,887	-	-	(9,905)	(9,905)	-
Increase in other assets	(6,035)	2,108	(3,927)	-	(863)	-	(863)	-
Increase in deferred outflows from bonds payable, net	(15,928)	9,868	(6,060)	1,097	(2,895)	(1,071)	(1,071)	-
Increase (decrease) in accounts payable	(6,930)	5,000	(3,630)	18,426	4,722	(12,668)	(15,653)	(97)
Increase (decrease) in accrued expenses and payroll related expenses	-	(147)	(147)	-	-	(4)	(4)	(933)
Increase (decrease) in tenant security deposits payable	-	(239)	(239)	-	-	391	391	-
Decrease in prepaid tenant's rents	-	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	(11)	205,110	205,099	157,743	(28,800)	188,565	159,765	16,499

The accompanying notes to financial statements are an integral part of these statements.

**TOWN OF SOUTHAMPTON HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying financial statements of the Town of Southampton Housing Authority (the "Authority") have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Financial reporting entity**

The Authority was organized under the laws of the State of New York to provide housing for qualified individuals in accordance with the rules and regulations prescribed by the United States Department of Housing and Urban Development ("HUD"). The Authority operates a 37 unit senior apartment complex located in Hampton Bays, New York. The apartment complex was acquired by the Authority in August 2005. It is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

The Authority is a component unit of the Town of Southampton (the "Town"). The decision to include the Authority as a component unit of the Town is based on several criteria set forth in GASB pronouncements, including legal standing, fiscal dependency and financial accountability. Based on the application of this criteria and the fact that the revenue bonds are guaranteed by the Town, the Authority is considered a component unit of the Town.

In 2007, the Authority formed a non-profit organization called the Southampton Community Housing and Development Corporation (the "Corporation"). The Corporation was formed in 2007 as a non-profit organization to relieve the congestion and overcrowding in housing among persons of low income in the Town of Southampton, New York and the vicinity thereof in Suffolk County, New York by increasing housing opportunities, related services, and employment training for families of low or moderate income related to promoting affordable housing. The Corporation is a component unit of the Authority. The decision to include the Corporation as a discretely presented component unit of the Authority is based on the Corporation meeting all of the following three criteria:

1. The economic resources received or held by the Corporation are entirely or almost entirely for the direct benefit of the Authority.
2. The Authority is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate Corporation.
3. The economic resources received or held by the Corporation, is entitled to, or has the ability to otherwise access, are significant to the Authority.

As of December 31, 2015, the Corporation owed the Authority \$219,992, or 4.8% of the Authority's total assets and deferred outflows of resources, for monies borrowed to fund and develop various projects. Upon completion of these various projects, the Authority will receive a direct benefit by ways of added revenue sources. Complete financial statements of the Southampton Community Housing and Development Corporation can be obtained from their administrative office: The Southampton Community Housing and Development Corporation, 57 Springville Road, Hampton Bays, New York 11946.

B. Joint venture

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest and (b) an on-going financial responsibility. The Authority participates in the following joint venture:

The Authority and the Long Island Housing Partnership (the "LIHP") entered into an inter-entity agreement in which the LIHP recommends prospective purchasers interested and pre-approved for obtaining affordable housing owned by the Authority. This agreement specifically relates to the "Manzi Homes" properties and the LIHP and Authority receive an administrative portion (fee) of the total proceeds received for each home sale. The LIHP is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and as a not-for-profit corporation in New York State. Complete financial statements for the Long Island Housing Partnership can be obtained from the Long Island Housing Partnership, 180 Oser Avenue, Hauppauge, New York 11788.

C. Basis of presentation

The Authority is engaged in a business-type activity and accordingly is accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) are included in the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

D. Budgetary data

An operating budget is adopted each fiscal year. The Executive Director prepares a preliminary budget and it is reviewed and approved by the Authority's Board of Directors. Any budget modifications must be approved by the Board of Directors.

E. Revenue and expense recognition

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants and in-kind donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

F. Taxes

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. The Authority elects to make payments for real estate taxes and the taxes are paid in accordance with State and local requirements.



G. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include those related to valuation of receivables and the estimated useful lives of property and equipment.

H. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less from the date of acquisition.

Excess funds and/or resources must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within New York State. Permissible investments include obligations of the United States Treasury, United States 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 insurances. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

I. Accounts receivable

All receivables are reported at their gross value and, where appropriate, reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Authority's historical losses.

J. Prepaid expenses

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

K. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements, bond covenants or Federal grant regulations.

L. Capital assets

Property and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the value of the assets.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Authority's financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight line	40 years
Building improvements	500	Straight line	20 years
Site improvements	500	Straight line	20 years
Equipment	500	Straight line	7 years

M. Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions, as well as short-term interfund loans are classified as "interfund receivables/payables".

N. Long-term obligations

Long-term obligations consisting of bonds payable and notes payable are recognized on the Authority's financial statements.

O. Equity classifications:

GASB requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications included in the Statements of Net Position are defined as follows:

1. Net investment in capital assets: consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets. Deferred outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted: consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted: is the amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Net Position Flow Assumptions:

Sometimes the Authority will fund outlays for particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less when purchased. The Authority's investment policies are governed by government contracts and State statutes. In addition, the Authority has its own written investment policy.

At December 31, 2015 and 2014, all items classified as cash and cash equivalents on the Statements of Net Position were entirely covered by FDIC or by collateral held by the Authority's custodial agents.

As of December 31, 2015, the Authority had restricted cash in the amount of \$285,151. Of this amount, \$259,818 relates to new monies and excess bond proceeds from the \$3,500,000 revenue bond issued in 2012. The remainder, \$25,333, relates to excess bond proceeds from the \$110,000 revenue bond issued in 2010. Restricted cash represents cash where use is limited by legal requirements.

**3. RECEIVABLES**

A. Accounts receivables

Accounts receivable represents amounts due from tenants for the Authority's senior rental apartments. For the years ended December 31, 2015 and 2014, total accounts receivable totaled \$0 and \$7,474, respectively.

B. Due from Southampton Community Housing and Development Corporation

Due from Southampton Community Housing and Development Corporation for the years ended December 31, 2015 and 2014 was \$219,992 and \$239,722, respectively. The amounts due are primarily a result of predevelopment costs incurred on behalf of the Corporation. In addition, during 2013, the Authority issued a \$650,000 note payable, of which, \$150,000 was provided to the Corporation for the development of a property located at Neptune Avenue.

C. Loan receivable

Loan receivable for the years ended December 31, 2015 and 2014 was outstanding in the amount of \$500,000, bearing interest at 2.95%, due in full upon completion of the project. The loan receivable relates to the Sandy Hollow project. See Note 6 to the financial statements for further information relating to this project.

**4. TENANT'S SECURITY DEPOSITS**

The Authority maintains cash representing amounts held as security deposits for tenants of the Hampton Bays Apartments and 203 Ludlam Avenue that are invested in interest bearing accounts. Tenant's security deposits for the years ended December 31, 2015 and 2014 were \$15,300 and \$15,447, respectively.

5. **CAPITAL ASSETS**

A summary of changes for the Authority for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 683,700	\$ -	\$ -	\$ 683,700
Total nondepreciable assets	683,700	-	-	683,700
Capital assets that are depreciated:				
Buildings	2,575,206	-	-	2,575,206
Building improvements	893,687	11,197	-	904,884
Equipment	169,979	4,800	-	174,779
Total depreciable assets	3,638,872	15,997	-	3,654,869
Less accumulated depreciation:				
Buildings	599,460	68,960	-	668,420
Building improvements	144,752	46,974	-	191,726
Equipment	132,292	19,990	-	152,282
Total accumulated depreciation	876,504	135,924	-	1,012,428
Total capital assets, net	<u>\$ 3,446,068</u>	<u>\$ (119,927)</u>	<u>\$ -</u>	<u>\$ 3,326,141</u>

A summary of changes for the Authority for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 683,700	\$ -	\$ -	\$ 683,700
Total nondepreciable assets	683,700	-	-	683,700
Capital assets that are depreciated:				
Buildings	2,575,206	-	-	2,575,206
Building improvements	820,164	73,523	-	893,687
Equipment	169,979	-	-	169,979
Total depreciable assets	3,565,349	73,523	-	3,638,872
Less accumulated depreciation:				
Buildings	530,502	68,958	-	599,460
Building improvements	97,015	47,737	-	144,752
Equipment	112,148	20,144	-	132,292
Total accumulated depreciation	739,665	136,839	-	876,504
Total capital assets, net	<u>\$ 3,509,384</u>	<u>\$ (63,316)</u>	<u>\$ -</u>	<u>\$ 3,446,068</u>

**6. LONG-TERM DEBT OBLIGATIONS**

Bonds payable - In June 2010, the Authority issued \$110,000 of revenue bonds at an interest rate of 3.55%. The proceeds were used to reconstruct, furnish and equip a single family low income rental housing project located at 203 Ludlum Avenue in the Town of Southampton. The bond matures in June of 2020. The outstanding balances as of December 31, 2015 and 2014 were \$77,000 and \$87,000, respectively.

In December 2012, the Authority issued \$3,500,000 of revenue bonds at various interest rates ranging from 1.5% to 3.5%. The proceeds were used to pay off existing mortgage obligations to USDA RHS and BNB and provide additional funding for future projects. The bond is guaranteed by the Town who also acts as the fiscal agent, remitting payment to the registered owners of the bonds on the applicable payment dates. The bond is due to mature in December of 2047. Actual proceeds received from the bond issuance was reduced by an original issue discount of \$32,988, which will be amortized over the life of the bonds payments in the amount of \$970 per year. The outstanding principal balance as of December 31, 2015 and 2014 were \$3,300,000 and \$3,365,000, respectively.

The net carrying value of the bonds as of December 31, 2015 and 2014 were \$3,345,953 and \$3,419,983, respectively. Bond proceeds held by the fiscal agent as of December 2015 and 2014 were \$103,002 and \$101,313, respectively.

The following is a summary of maturing debt service requirements:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 75,000	\$ 103,072	\$ 178,072
2017	80,000	101,660	181,660
2018	80,000	99,990	179,990
2019	88,000	98,189	186,189
2020	89,000	96,150	185,150
2021-2025	380,000	452,753	832,753
2026-2030	445,000	395,481	840,481
2031-2035	510,000	322,816	832,816
2036-2040	600,000	233,931	833,931
2041-2045	710,000	119,875	829,875
2046-2047	320,000	11,200	331,200
	<u>\$ 3,377,000</u>	<u>\$ 2,035,117</u>	<u>\$ 5,412,117</u>

Note payable - In May 2013, the Authority issued a \$650,000 note payable at an interest rate of 2.95%, below the prime rate of 3.25%. The proceeds were used to pay off a project developer's existing mortgage obligation, provide additional funding for the development of a future project ("Sandy Hollow") and to reconstruct, furnish and equip a single family low income rental housing project located at 42 Neptune Avenue ("Neptune Avenue"), Town of Southampton. The notes original maturity was May of 2015, however, the Authority has refinanced this note to extend their maturity through May 14, 2017.

### Sandy Hollow

\$500,000 of the note payable was for the Sandy Hollow project. Approximately \$355,000 was used to pay the property owner's (John Sirkin DBA "Glesir") existing mortgage secured on the property, which is currently zoned Residential Planned Development District ("RPDD") which allows construction of a condominium residential development for workforce housing (16 two-bedroom units). The remaining proceeds of approximately \$145,000 were provided to the property owner to be applied towards predevelopment costs that were accrued.

In the interim, the mortgage and loan are sufficient to grant the Authority site control to submit a request to the Town of Southampton for a revised RPDD, and to New York State for project funding. Georgica Green Ventures ("GGV") was selected as our partner and advisor. GGV principal is David J. Gallo, who is an experienced tax credit developer. Following the amended RPDD approval from the Town of Southampton Town Board, the Authority and GGV intends to submit an application to New York State Housing and Community Renewal for Low Income Housing Tax Credit financing (a program created under Section 42 of the IRC), and complete the purchase of the site from Glesir.

In July 2012, the Town of Southampton Planning Board extended the RPDD for an additional two years, subject to its original conditions.

In August 2013, a proposal was submitted to the Town of Southampton to amend the RPDD from a 16 two-bedroom unit workforce housing condominium project to allow for 34 one-bedroom units.

In August 2014, the Town of Southampton evaluated the application for the Sandy Hollow project, deeming it to be complete and to have met the submission requirements of 330-183 of the Southampton Town Code. As of the date these financial statements were available to be issued, there has been no change from the original RPDD zoning to the proposed zoning. This being the case, no construction has begun on the site.

Although the title of the property currently remains with Glesir, if in the event GGV does not develop the property and/or cannot repay the Authority, the title of the property would be transferred to the Authority. The portion of the note payable attributable to the Sandy Hollow project is fully collateralized by the undeveloped property. If in the event the Authority receives title to the property and it cannot sell the property to satisfy the note (or refinance the note), the bank can foreclose on the property. If in the event the property goes into foreclosure and the bank sells the property for less than the outstanding note, the Authority would be liable for the difference between the outstanding note payable and sales price of the property.

### Neptune Avenue

\$150,000 of the note payable was for the Neptune Avenue project. The monies were paid to the Corporation, who in turn, began to reconstruct, furnish and equip the single family low income rental housing project located at 42 Neptune Avenue. The estimated completion of this project was in 2015.

7. **POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

All full-time employees of the Authority shall be entitled to accumulated sick leave at the accumulation rate of two hours per bi-weekly pay period or seven working days per calendar year and allowed an accumulation of sick leave up to twenty-one days. Sick leave will be granted for actual sickness, maternity/paternity leave as qualified in Section VII, Part C-1, temporary physical disability, medical appointments, and quarantine. Upon voluntary resignations of employment, including retirement, an employee shall be entitled to be paid for up to twenty-one days of unused sick time. If termination of employment occurs, the employee will not be entitled to receive payment for any unused sick time. All use of sick leave must be approved by the Executive Director. For the years ended December 31, 2015 and 2014, amounts related to these benefits were immaterial and as such no liability has been recorded.

8. **RELATED PARTY TRANSACTIONS**

The Authority owns a House that is currently being rented to a tenant who receives rental assistance under the Town's Section 8 Housing Choice Voucher Program. The Authority is currently contracted with the Town to administer the Housing Choice Voucher Program. Rental income collected from the property for the years ending December 31, 2015 and 2014 was \$26,784 and \$25,485, respectively.

9. **COMMITMENTS AND CONTINGENCIES:**

Contract funding considerations

The Authority's operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of Federal, State, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD for the years ending December 31, 2015 and 2014 was \$389,696 and \$369,794, respectively.

The Authority receives a substantial portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and request for a return of funds.

10. **NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED**

GASB has issued Statement No. 72, Fair Value Measurement and Application, which is to address accounting and financial reporting issues related to fair value measurements. The Statement will require disclosures regarding the level of fair value hierarchy and valuation techniques. It will also require additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The Authority is currently studying the Statement and plans on adoption when required, which will be for the 2016 financial statements.

11. **SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events occurring after the Statements of Net Position through the date of May 19, 2016 which is the date the financial statements were available to be issued and no significant events were determined to be disclosed.



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Directors of the  
Town of Southampton Housing Authority:

We have audited, in accordance with the 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 Housing Authority, as of December 31, 2015, and the related notes to financial statements, which collectively comprise the Town of Southampton Housing Authority's basic financial statements, and have issued our report thereon dated May 19, 2016.

***Internal Control Over Financial Reporting***

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



# NawrockiSmith

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority'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. This letter does not affect our report dated May 19, 2016 on the suggestions to management of the Authority. 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.

Melville, New York  
May 19, 2016

