



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

May 31, 2015

INCORPORATED VILLAGE OF SALTAIRE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Saltaire
Saltaire, New York

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Saltaire, as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village'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 the financial reporting provisions of 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 opinions on the 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 of 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 Village'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 Village'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, deferred inflows of resources and fund balances of each fund and account group of the Incorporated Village of Saltaire, as of May 31, 2015, and their respective revenues, expenditures, and changes in fund balance for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

Basis of Accounting

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Saltaire's basic financial statements. The other supplementary information on pages 18 thru 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of the Incorporated Village of Saltaire's internal control over financial reporting and 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 the 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 Incorporated Village of Saltaire's internal control over financial reporting and compliance.

Restriction of Use

This report is intended solely for the information and use of the Board of Trustees and management of the Incorporated Village of Saltaire and the New York State Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Danowski, LLP

September 21, 2015

INCORPORATED VILLAGE OF SALTAIRE
Balance Sheet - All Fund Types and Account Groups
 May 31, 2015

	Governmental Funds		Fiduciary Fund	Account Groups		Total
	General	Capital Projects	Trust and Agency	Fixed Assets	Long-Term Debt	
ASSETS						
Cash						
Unrestricted	\$ 715,716	\$ 2,478,414	\$ 66,085	\$	\$	\$ 3,260,215
Restricted	97,294					97,294
Receivables						
Taxes receivable	33,439					33,439
Accounts receivable	5,878					5,878
Water rents receivable	665					665
Due from other funds	407,873		433			408,306
Due from state and federal	20,197					20,197
Due from other governments	11,435					11,435
Inventory	164,419					164,419
Prepays	67,659					67,659
General fixed assets				16,892,825		16,892,825
Amounts to be provided for long-term debt					3,494,441	3,494,441
Total Assets	\$ 1,524,575	\$ 2,478,414	\$ 66,518	\$ 16,892,825	\$ 3,494,441	\$ 24,456,773
LIABILITIES						
Payables						
Accounts payable	\$ 48,250	\$	\$	\$	\$	\$ 48,250
Due to other funds	433	407,873				408,306
Due to other governments			1,018			1,018
Revenue anticipation notes payable		7,000,000				7,000,000
Other liabilities			65,500			65,500
Collections in advance	101,464					101,464
Bonds payable					2,830,000	2,830,000
Other postemployment benefits payable					664,441	664,441
Total Liabilities	150,147	7,407,873	66,518	-	3,494,441	11,118,979
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	22,878					22,878
Total Deferred Inflows of Resources	22,878	-	-	-	-	22,878
FUND BALANCE						
Investment in general fixed assets				16,892,825		16,892,825
Nonspendable:						
Inventory	164,419					164,419
Prepays	67,659					67,659
Restricted for:						
Repairs	97,294					97,294
Assigned: Unappropriated						
Fire company	3,321					3,321
Unassigned: Fund balance (deficit)	1,018,857	(4,929,459)				(3,910,602)
Total Fund Balance (Deficit)	1,351,550	(4,929,459)	-	16,892,825	-	13,314,916
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,524,575	\$ 2,478,414	\$ 66,518	\$ 16,892,825	\$ 3,494,441	\$ 24,456,773

INCORPORATED VILLAGE OF SALTAIRE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For The Year Ended May 31, 2015

	General	Capital Projects	Total
REVENUES			
Real property taxes	\$ 2,090,962	\$	\$ 2,090,962
Other tax items	11,321		11,321
Non-property tax items	165,104		165,104
Departmental income	526,385		526,385
Intergovernmental income	30,000		30,000
Use of money and property	113,963		113,963
Licenses and permits	43,008		43,008
Fines and forfeitures	400		400
Sale of property and compensation for loss	59,298		59,298
Miscellaneous	36,466	40,740	77,206
State sources	102,064		102,064
Federal sources	51,843	368,670	420,513
	<u>3,230,814</u>	<u>409,410</u>	<u>3,640,224</u>
Total Revenues			
EXPENDITURES			
General government support	1,192,787		1,192,787
Public safety	263,539		263,539
Health	15,146		15,146
Transportation	108,471		108,471
Culture and recreation	510,252		510,252
Home and community services	215,162		215,162
Employee benefits	430,073		430,073
Debt service			
Principal	385,000		385,000
Interest	109,006		109,006
Capital outlay		5,221,527	5,221,527
	<u>3,229,436</u>	<u>5,221,527</u>	<u>8,450,963</u>
Total Expenditures			
Net Change in Fund Balance	1,378	(4,812,117)	(4,810,739)
Fund Balance - Beginning of Year	1,350,172	(117,342)	1,232,830
Fund Balance (Deficit) - End of Year	<u>\$ 1,351,550</u>	<u>\$ (4,929,459)</u>	<u>\$ (3,577,909)</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2015, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

The Village of Saltaire, which was incorporated in 1917, is governed by Charter of the State of New York, Village law and other general Laws of the State of New York and various local laws and ordinances. The Village is governed by the Mayor and the Board of Trustees, which is the legislative body responsible for the overall operation of the Village consisting of five members. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer of the Village.

The following basic services are provided: general support, public safety and fire protection, sanitation, recreation, water, street maintenance and lighting.

All governmental activities and functions performed for the Village of Saltaire are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

i) Governmental Fund Types

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 the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

- A. General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- B. Capital Projects Fund - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

ii) Fiduciary Fund Types

Fiduciary Funds - are used to account for funds held by the Village in the capacity of trustee, custodian, or agent.

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Funds held by the Village represent various guarantee deposits.

iii) Account Groups

Account groups are used to establish accounting control and accountability for the Village's general fixed assets and general long-term obligations. The account groups are not funds. They are concerned only with the measurement of financial position, and not with the results of operations.

- A. General Fixed Assets Account Group - the general fixed assets account group is used to account for land, construction in progress, buildings, improvements and equipment owned by the Village.
- B. General Long-Term Debt Account Group - the general long-term debt account group is used to account for all long-term debt and other obligations of the Village including bonds and other post employment benefit obligations.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

c) Measurement Focus and Basis of Accounting

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on debt, claims and judgments, pension costs, and other postemployment benefits which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Use of Estimates

The preparation of the financial statements in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

e) Real Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

f) Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying Balance Sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues is provided subsequently in these Notes to Financial Statements.

g) Cash

Cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

h) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

i) Inventory and Prepaid Items

Inventory consists of purchased ferry tickets available for resale and is stated at the lower of cost or market. Cost is determined using specific identification.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. A current asset for the prepaid amounts is recorded at the time of purchase and an expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate inventory and prepaids do not constitute available spendable resources.

j) General Fixed Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at estimated historical cost when given. Capital assets are accounted for in the general fixed assets account group and are removed when an asset is sold or retired.

No depreciation has been provided on general fixed assets nor has interest on general fixed assets construction in progress been capitalized.

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 25,000	40 years
Machinery and Equipment	5,000	3 - 10 years
Infrastructure	1	25 - 40 years

k) Collections in Advance

Collections in advance arise when resources are received by the Village before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

l) Deferred Revenues

Deferred revenues are reported in the general fund when real property taxes are received before the period for which the real property taxes are levied. These amounts are recorded as deferred inflows of resources. They are recognized as real property tax revenues in the year for which the real property taxes are levied, which will be the subsequent year.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

m) Short-Term Debt

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the notes. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

n) Employee Benefits

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacation and sick days must be used in the year earned and cannot be accumulated.

Eligible Village employees participate in the New York State Employees' Retirement System.

o) Postemployment Benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure as the liabilities for premiums mature (come due for payment).

p) Equity Classifications

The governmental fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance relates to inventory and prepaid items.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Fund balance classified as restricted by the Village include the following:

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Trustees without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village’s Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the Village’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose either by voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village's budget policies are as follows:

The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.

A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.

All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and by the appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The Village had supplemental appropriations of \$82,170 for disaster recovery expenditures from Hurricane Sandy funded by insurance recoveries and state aid.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Budgets are adopted annually on the basis of the financial reporting provisions of the New York State Office of the State Comptroller to comply with the filing requirements of the Village's Annual Financial Report Update Document.

B. Capital Projects Fund

The capital projects fund had a deficit fund balance of \$(4,929,459). This will be funded when the Village obtains Federal aid and permanent financing for its current construction projects.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

None of the Village's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable at May 31, 2015, consisted of the following:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Rental of real property	<u>\$ 5,878</u>

5. DUE FROM STATE AND FEDERAL

The Village is owed \$20,197 from the New York State Education Department for a records management grant.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. DUE FROM OTHER GOVERNMENTS

Due from other governments at May 31, 2015, consisted of:

General Fund	
Suffolk County Treasurer - mortgage tax payment	<u>\$ 11,435</u>

7. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2015, are as follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 407,873	\$ 433
Capital Projects Fund		407,873
Fiduciary Fund	<u>433</u>	
Total	<u>\$ 408,306</u>	<u>\$ 408,306</u>

8. PREPAIDS

Prepays at May 31, 2015, consisted of:

General Fund	
Liability insurance	\$ 47,752
Health insurance	11,882
Culture and recreation	<u>8,025</u>
	<u>\$ 67,659</u>

9. GENERAL FIXED ASSETS

A summary of changes in the Village's general fixed assets is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>May 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>May 31, 2015</u>
Land	\$ 533,730	\$ 1,074,334	\$	\$ 1,608,064
Construction in progress				
Buildings	1,991,978	637,411	(13,805)	2,615,584
Infrastructure	8,073,828	3,450,703		11,524,531
Furniture, Fixtures and Equipment	<u>1,163,884</u>	<u>6,850</u>	<u>(26,088)</u>	<u>1,144,646</u>
Capital assets, net	<u>\$ 11,763,420</u>	<u>\$ 5,169,298</u>	<u>\$ (39,893)</u>	<u>\$ 16,892,825</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance May 31, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance May 31, 2015</u>
RAN	10/23/2015	1.00%	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000
BAN	5/18/2015	1.20%	2,000,000	-	(2,000,000)	-
			<u>\$ 2,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>

Interest on short-term debt for the year was \$.

11. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year are summarized below:

	<u>Balance May 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2015</u>
Long-term debt:				
Bonds payable	\$ 3,235,000	\$ -	\$ (405,000)	\$ 2,830,000
Other long-term liabilities				
Net other postemployment benefits obligations	551,035	113,406	-	664,441
	<u>\$ 3,786,035</u>	<u>\$ 113,406</u>	<u>\$ (405,000)</u>	<u>\$ 3,494,441</u>

The general fund has typically been used to liquidate long-term liabilities.

Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at May 31, 2015</u>
Serial Bonds	5/15/2010	6/15/2018	2.50 - 3.25%	\$ 1,025,000
Serial Bonds	10/14/2014	6/15/2025	2.50 - 3.25%	1,805,000
				<u>\$ 2,830,000</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is a summary of maturing debt service requirements for the bonds:

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 410,000	\$ 72,119	\$ 482,119
2017	410,000	61,750	471,750
2018	420,000	50,737	470,737
2019	425,000	39,138	464,138
2020	175,000	31,450	206,450
2021 -2025	830,000	85,500	915,500
2026	<u>160,000</u>	<u>2,400</u>	<u>162,400</u>
Total	<u>\$ 2,830,000</u>	<u>\$ 343,094</u>	<u>\$ 3,173,094</u>

Interest expense on long-term debt was \$85,073 for the year ended May 31, 2015.

12. ADVANCE REFUNDING

On October 14, 2014, the Village issued \$1,805,000 in general obligation bonds with an average interest rate of 2.500% to advance refund \$1,825,000 of outstanding serial bonds with an interest rate of 4.375%. The net proceeds of \$1,859,156 (including a premium of \$107,056, and after payment of \$52,900 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$213,384. The outstanding principal balance of the defeased bonds is \$1,825,000 at May 31, 2015.

13. UNISSUED DEBT

On July 27, 2012, the Board of Trustees adopted a resolution authorizing the issuance of up to \$2,040,000 in serial bonds to finance the costs of improvements to boardwalk areas. As of May 31, 2015, the full amount of the bonds remained unissued.

On April 9, 2014, the Board of Trustees approved the issuance of up to \$1,000,000 in bonds for the purchase of a building. As May 31, 2015, the full amount of the bonds remained unissued.

14. PENSION PLANS

New York State and Local Employees' Retirement System

Plan Description

The Village elected to participate in the New York State and Local Employees' Retirement System (ERS). This system is a cost-sharing, multiple-employer, defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost of living increases, and death benefits to plan members and beneficiaries.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Obligations of 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 (Comptroller) serves as sole trustee and administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. The ERS issues publicly available financial reports that include financial statements and required supplementary information. These reports may be found at www.osc.state.ny.us or may be obtained by writing to: NYS and Local Retirement Systems, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

Funding Policy

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership.

The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31. The Village's share of the required contributions based on the respective year's covered payroll for the current year and two preceding years were as follows:

<u>Year</u>	<u>ERS</u>
2016	\$ 150,826
2015	170,653
2014	131,131

The Village contributions made to the ERS were equal to 100% of the contributions required.

15. POSTEMPLOYMENT BENEFITS

A. Plan Description

The Village provides medical, Medicare part B reimbursement, and dental coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Village assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund as the liabilities for premiums mature (come due for payment). For the year ended May 31, 2015, the Village recognized a general fund expenditure of \$26,106 for insurance premiums for 5 currently enrolled retirees. Currently, there is no provision in the law to permit the Village to fund other postemployment benefits by any means other than the “pay as you go” method.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation.

Annual required contribution (ARC)	\$ 184,490
Interest on net OPEB obligation	21,446
Adjustment to ARC	<u>(25,801)</u>
Annual OPEB cost (expense)	180,135
Contributions made	<u>(66,729)</u>
Increase in net OPEB obligation	113,406
Net OPEB obligation - beginning of year	<u>551,035</u>
Net OPEB obligation - end of year	<u>\$ 664,441</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended May 31, 2015 and the two preceding years are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
May 31, 2015	\$ 180,135	0.0%	\$ 664,441
May 31, 2014	171,809	20.4%	551,035
May 31, 2013	163,349	20.4%	405,332

D. Funded Status and Funding Progress

As of June 1, 2012, the date of the most recent actuarial valuation, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,832,124 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,832,124. The covered payroll (annual payroll of active employees covered by the plan) was \$576,400 and the ratio of the UAAL to the covered payroll was 317.9%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% for health and 10.0% for pharmacy, reduced by decrements to an ultimate rate of 5.0% for health and pharmacy after 30 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

16. DEFERRED REVENUES

Deferred revenues in the amount of \$22,878 consist of real property taxes due to the Village that remain outstanding from prior years and have been deferred due to the uncertainty of the timing of collection.

17. COMMITMENTS AND CONTINGENCIES

A. Grants

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, will be immaterial.

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2015, which could affect future operating budgets of the Village.

C. Litigation

The Village is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

INCORPORATED VILLAGE OF SALTAIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 2,085,067	\$ 2,085,067	\$ 2,090,962	\$ 5,895
Other Real Property Tax Items				
Interest and penalties	7,500	7,500	11,321	3,821
Non-Property Tax Items				
Utilities gross receipts tax	6,500	6,500	4,563	(1,937)
Franchise fees	160,541	160,541	160,541	-
Total Non-Property Tax Items	167,041	167,041	165,104	(1,937)
Departmental Income				
Clerk fees	5,440	5,440	4,704	(736)
Safety inspection fees	22,500	22,500	77,525	55,025
Health	3,500	3,500	7,000	3,500
Park and recreational charges	193,500	193,500	201,079	7,579
Special recreational facility charges	59,946	59,946	60,934	988
Library receipts	3,250	3,250	3,455	205
Zoning fees	5,000	5,000	4,839	(161)
Water sales	165,500	165,500	166,849	1,349
Total Departmental Income	458,636	458,636	526,385	67,749
Intergovernmental Charges				
Public safety	47,500	47,500	30,000	(17,500)
Use of Money and Property				
Interest and earnings	2,796	2,796	4,674	1,878
Rental of real property	107,960	107,960	109,289	1,329
Total Use of Money and Property	110,756	110,756	113,963	3,207
Licenses and Permits				
Licenses	42,500	42,500	43,008	508
Fines and Forfeitures				
Fines and forfeitures	1,250	1,250	400	(850)
Sales of Property and Compensation for Loss				
Sale of equipment	2,000	2,000	2,921	921
Insurance recoveries	-	41,170	56,377	15,207
Total Federal Aid	2,000	43,170	59,298	16,128
Miscellaneous				
Gifts and donations	20,500	20,500	27,660	7,160
Other	3,000	3,000	8,806	5,806
Total Miscellaneous	23,500	23,500	36,466	12,966
State Aid				
Revenue sharing	2,826	2,826	2,826	-
Mortgage tax	38,000	38,000	38,579	579
Youth programs	1,100	1,100	1,216	116
Other general government aid	2,323	43,323	59,443	16,120
Total State Aid	44,249	85,249	102,064	16,815
Federal Aid				
Federal disaster assistance	207,150	207,150	51,843	(155,307)
Total Revenues	\$ 3,197,149	\$ 3,279,319	\$ 3,230,814	\$ (48,505)

INCORPORATED VILLAGE OF SALTAIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government Support				
Legislative board				
Contractual services	\$ 3,000	\$ 3,450	\$ 3,403	\$ 47
Village justice court				
Personal services	750	750	496	254
Contractual services	100	100	96	4
Auditor				
Contractual services	31,000	35,500	35,125	375
Clerk and staff				
Personal services	257,500	262,400	262,324	76
Equipment	1,000	1,000	722	278
Contractual services	42,915	84,515	84,497	18
Law				
Contractual services	86,750	63,750	62,948	802
Election				
Contractual services	900	1,050	1,014	36
Buildings - village hall				
Personal services	167,030	162,030	161,916	114
Equipment	1,750	1,750	1,496	254
Contractual services	230,897	245,897	245,882	15
Unallocated insurance				
Contractual services	101,623	77,623	77,252	371
Refund of taxes				
Contractual services	63,439	69,739	69,654	85
Other general government support				
Disaster recovery expenditures	130,732	186,232	185,962	270
Total General Government Support	<u>1,119,386</u>	<u>1,195,786</u>	<u>1,192,787</u>	<u>2,999</u>
Public Safety				
Police				
Personal services	156,840	157,040	157,018	22
Equipment	3,500	3,900	3,850	50
Contractual services	15,694	22,094	22,056	38
Fire Department				
Personal services	9,142	9,142	7,520	1,622
Equipment	21,850	9,850	9,784	66
Contractual services	67,750	63,750	63,311	439
Total Public Safety	<u>274,776</u>	<u>265,776</u>	<u>263,539</u>	<u>2,237</u>
Health				
Public Health				
Contractual services	17,500	15,500	15,146	354
Total Health	<u>17,500</u>	<u>15,500</u>	<u>15,146</u>	<u>354</u>
Transportation				
Sidewalks				
Personal services	59,220	61,770	61,725	45
Contractual services	22,450	34,750	34,730	20
Off street parking				
Contractual services	2,250	12,050	12,016	34
Total Transportation	<u>83,920</u>	<u>108,570</u>	<u>108,471</u>	<u>99</u>

INCORPORATED VILLAGE OF SALTAIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)
For The Year Ended May 31, 2015

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)				
Culture and Recreation				
Playground				
Personal services	\$ 103,962	\$ 103,962	\$ 101,707	\$ 2,255
Equipment	5,500	1,500	1,408	92
Contractual services	7,000	13,600	13,581	19
Special Recreation				
Personal services	173,771	173,771	170,871	2,900
Equipment	250	250	-	250
Contractual services	33,662	28,962	28,873	89
Youth				
Personal services	70,200	75,100	75,068	32
Equipment	500	500	399	101
Contractual services	58,763	58,763	53,861	4,902
Culture				
Personal services	10,500	10,500	7,500	3,000
Contractual services	3,250	3,250	1,771	1,479
Other culture and recreation				
Personal services	9,175	10,425	10,377	48
Equipment	1,650	1,650	-	1,650
Contractual services	7,250	48,420	44,836	3,584
Total Culture and Recreation	<u>485,433</u>	<u>530,653</u>	<u>510,252</u>	<u>20,401</u>
Home and Community Services				
Refuse				
Personal services	41,155	45,355	45,287	68
Contractual services	88,000	78,000	77,560	440
Water transportation and distribution				
Personal services	69,675	65,175	64,989	186
Equipment	1,000	3,200	3,105	95
Contractual services	21,750	24,250	24,221	29
Total Home and Community Services	<u>221,580</u>	<u>215,980</u>	<u>215,162</u>	<u>818</u>
Employee Benefits				
State employee retirement	165,000	151,000	150,826	174
Social security and Medicare	86,072	86,072	84,391	1,681
Workers compensation	35,000	35,000	34,786	214
Unemployment insurance	8,142	10,142	10,129	13
Disability insurance	2,000	2,000	924	1,076
Hospital and medical insurance	139,802	148,202	148,137	65
MTA tax	3,838	1,338	880	458
Total Employee Benefits	<u>439,854</u>	<u>433,754</u>	<u>430,073</u>	<u>3,681</u>
Debt Service				
Principal	385,000	385,000	385,000	-
Interest	169,700	128,300	109,006	19,294
Total Debt Service	<u>554,700</u>	<u>513,300</u>	<u>494,006</u>	<u>19,294</u>
Total Expenditures	<u>\$ 3,197,149</u>	<u>\$ 3,279,319</u>	<u>3,229,436</u>	<u>\$ 49,883</u>
Net Changes in Fund Balance			1,378	
Fund Balance - Beginning of Year			<u>1,350,172</u>	
Fund Balance - End of Year			<u>\$ 1,351,550</u>	

**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 Trustees
Incorporated Village of Saltaire
Saltaire, 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 Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2015, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 21, 2015. As described more fully in Note 1, the Incorporated Village of Saltaire has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Saltaire'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Village of Saltaire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Saltaire'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 the Village'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 Incorporated Village of Saltaire'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*.

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Saltaire in a separate letter dated September 21, 2015.

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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

September 21, 2015

