



**FINANCIAL STATEMENTS
(Regulatory Basis)**

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

May 31, 2016

INCORPORATED VILLAGE OF SALTAIRE
TABLE OF CONTENTS

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Basic Financial Statements (Regulatory Basis)	
Balance Sheet - All Fund Types and Account Groups	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	5
Notes to Financial Statements	6
Other Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	22
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 <i>Government Auditing Standards</i>	25

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, 2016, 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Incorporated Village of Saltaire 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.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Saltaire, as of May 31, 2016, and the respective changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of each fund and account group of the Incorporated Village of Saltaire, as of May 31, 2016, and the respective changes in financial position 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.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, “Changes in Accounting Principles”, the Village has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of May 31, 2016. 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 22 through 24 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 9, 2016, on our consideration of the Incorporated Village of Saltaire'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 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.

Cullen & Danowski, LLP

September 9, 2016

INCORPORATED VILLAGE OF SALTAIRE
Balance Sheet - All Fund Types and Account Groups
 May 31, 2016

	Governmental Funds		Fiduciary Fund	Account Groups		Total
	General	Capital Projects	Trust and Agency	Non-Current Governmental Assets	Liabilities	
ASSETS						
Cash						
Unrestricted	\$ 944,522	\$ 3,064,453	\$ 40,785	\$	\$	\$ 4,049,760
Restricted	97,294					97,294
Receivables						
Taxes receivable	11,545					11,545
Water rents receivable	665					665
Due from other funds	468,692					468,692
Due from state and federal		753,340				753,340
Due from other governments	11,106					11,106
Inventory	161,734					161,734
Prepays	27,608					27,608
Capital assets				25,810,009		25,810,009
Amounts to be provided for long-term debt					3,672,051	3,672,051
Total Assets	1,723,166	3,817,793	40,785	25,810,009	3,672,051	35,063,804
DEFERRED OUTFLOWS OF RESOURCES						
Pension				426,864		426,864
Total Assets and Deferred Outflows of Resources	\$ 1,723,166	\$ 3,817,793	\$ 40,785	\$ 26,236,873	\$ 3,672,051	\$ 35,490,668
LIABILITIES						
Payables						
Accounts payable	\$ 35,725	\$ 325,446	\$ 6,567	\$	\$	\$ 361,171
Due to other funds		462,125	1,018			468,692
Due to other governments						1,018
Due to employees' retirement system	20,508					20,508
Notes Payable						
Revenue anticipation notes payable		5,000,000				5,000,000
Bond anticipation notes payable		4,850,000				4,850,000
Other liabilities			33,200			33,200
Collections in advance	31,834					31,834
Bonds payable					2,420,000	2,420,000
Other postemployment benefits payable					798,308	798,308
Net pension liability - proportionate share					405,659	405,659
Total Liabilities	88,067	10,637,571	40,785	-	3,623,967	14,390,390
DEFERRED INFLOWS OF RESOURCES						
Deferred revenues	92,212					92,212
Pension					48,084	48,084
Total Deferred Inflows of Resources	92,212	-	-	-	48,084	140,296
FUND BALANCE						
Investment in non-current governmental assets				26,236,873		26,236,873
Nonspendable:						
Inventory	161,734					161,734
Prepays	27,609					27,609
Restricted for:						
Repairs	97,294					97,294
Assigned: Unappropriated						
Fire company	3,321					3,321
Unassigned: Fund balance (deficit)	1,252,929	(6,819,778)				(5,566,849)
Total Fund Balance (Deficit)	1,542,887	(6,819,778)	-	26,236,873	-	20,959,982
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,723,166	\$ 3,817,793	\$ 40,785	\$ 26,236,873	\$ 3,672,051	\$ 35,490,668

INCORPORATED VILLAGE OF SALTAIRE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For The Year Ended May 31, 2016

	General	Capital Projects	Total
REVENUES			
Real property taxes	\$ 2,112,889	\$	\$ 2,112,889
Other tax items	6,973		6,973
Non-property tax items	168,057		168,057
Departmental income	530,557		530,557
Intergovernmental income	30,000		30,000
Use of money and property	120,928		120,928
Licenses and permits	37,817		37,817
Fines and forfeitures	2,300		2,300
Sale of property and compensation for loss	3,365		3,365
Miscellaneous	29,960		29,960
State sources	127,984	128,089	256,073
Federal sources	106,930	6,138,533	6,245,463
	<u>3,277,760</u>	<u>6,266,622</u>	<u>9,544,382</u>
Total Revenues			
EXPENDITURES			
General government support	1,068,896		1,068,896
Public safety	251,064		251,064
Health	21,380		21,380
Transportation	75,311		75,311
Culture and recreation	478,954		478,954
Home and community services	222,178		222,178
Employee benefits	457,261		457,261
Debt service			
Principal	410,000		410,000
Interest	142,119		142,119
Capital outlay		8,116,201	8,116,201
	<u>3,127,163</u>	<u>8,116,201</u>	<u>11,243,364</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>150,597</u>	<u>(1,849,579)</u>	<u>(1,698,982)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	40,740		40,740
Operating transfers (out)		(40,740)	(40,740)
	<u>40,740</u>	<u>(40,740)</u>	<u></u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	191,337	(1,890,319)	(1,698,982)
Fund Balance (Deficit) - Beginning of Year	1,351,550	(4,929,459)	(3,577,909)
Fund Balance (Deficit) - End of Year	<u>\$ 1,542,887</u>	<u>\$ (6,819,778)</u>	<u>\$ (5,276,891)</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, 2016, 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 as expenditures 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, management's discussion and analysis and, additional required supplementary information. 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 non-current governmental assets and non-current governmental liabilities. The account groups are not funds. They are concerned only with the measurement of financial position, and not with the results of operations.

- A. Non-Current Governmental Assets Account Group –is used to account for land, construction in progress, buildings, improvements and equipment owned by the Village. Also included are deferred outflows of resources related to pensions.
- B. Non-Current Governmental Liabilities Account Group –is used to account for all long-term debt and other obligations of the Village including bonds, pension and other postemployment benefit obligations. Also included are deferred inflows of resources related to pensions.

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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 certain reported amounts and disclosures. 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. Inventory is accounted for on the consumption method.

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.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or 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) Capital 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 non-current governmental assets account group and are removed when an asset is sold or retired.

No depreciation has been provided on capital assets.

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

k) Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources, consists of pension related amounts, including changes in the net pension liability not included in pension expense and Village pension contributions subsequent to the measurement date of the net pension liability.

l) 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.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

m) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. First is deferred revenues reported in the general fund when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, these deferred inflows are reclassified as revenues. The second item is reported in the non-current governmental liabilities account group and consists of changes in the net pension liability not included in pension expense.

n) 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.

o) 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 and Local Employees' Retirement System.

p) 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).

q) 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:

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 may establish a repair reserve fund by a majority vote of its members. 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.

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. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. The implementation of the Statements requires the Village to report as a liability its portion of the collective net pension liability in the New York State and Local Employees’ Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow for the effect of the net change in the Village’s proportion of the collective net pension liability and difference during the measurement period between the Village’s contributions and its proportionate share of total contributions to the pension system not included as pension expense. Also included as deferred outflows, are the Village’s contributions to the pension system subsequent to the measurement date.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. 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. There were no supplemental appropriations during the current year.

Budgets are adopted annually on the modified accrual basis of accounting.

b) Capital Projects Fund

The capital projects fund had a deficit fund balance of \$(6,767,810). This will be funded when the Village obtains Federal aid and permanent financing for its current construction projects.

4. 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 States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf 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.

5. DUE FROM STATE AND FEDERAL

The Village is owed \$753,340 in disaster assistance from the Federal Emergency Management Agency for storm damages for the capital projects fund.

6. DUE FROM OTHER GOVERNMENTS

The Village is owed \$11,106 from the Suffolk County Treasurer for mortgage tax.

7. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2016, are as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 468,692	\$	\$ 40,740	\$
Capital Projects Fund		462,125		40,740
Fiduciary Fund		6,567		
Total	<u>\$ 468,692</u>	<u>\$ 468,692</u>	<u>\$ 40,740</u>	<u>\$ 40,740</u>

8. PREPAIDS

Prepays at May 31, 2016, consisted of:

General Fund	
Liability insurance	\$ 18,240
Health insurance	9,368
	<u>\$ 27,608</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. CAPITAL ASSETS

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

	Balance May 31, 2015	Additions	Reductions	Balance May 31, 2016
Land	\$ 1,608,064	\$	\$	\$ 1,608,064
Buildings	1,547,601	4,425,666		5,973,267
Improvements other than buildings	1,067,983	18,000		1,085,983
Infrastructure	11,524,531	4,466,693		15,991,224
Furniture, fixtures and equipment	1,144,646	6,825		1,151,471
Capital assets, net	<u>\$ 16,892,825</u>	<u>\$ 8,917,184</u>	<u>\$ -</u>	<u>\$ 25,810,009</u>

10. SHORT-TERM DEBT

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

	Maturity	Interest Rate	Balance May 31, 2015	Issued	Redeemed	Balance May 31, 2016
RAN	10/23/2015	1.00%	\$ 7,000,000	\$	\$ (7,000,000)	\$ -
RAN	10/21/2016	2.00%	-	5,000,000		5,000,000
BAN	11/17/2016	0.68-2.00%	-	4,850,000		4,850,000
			<u>\$ 7,000,000</u>	<u>\$ 9,850,000</u>	<u>\$ (7,000,000)</u>	<u>\$ 9,850,000</u>

Interest on short-term debt for the year was \$70,000, net of a premium of \$40,740, to yield an effective interest rate of 0.418%.

The Village issued a revenue anticipation note on October 22, 2015, in the amount of \$5,000,000, at an interest rate of 2.00%, maturing October 21, 2016. This included a premium of \$60,600, making the effective interest rate for the note 0.7846%.

The Village issued a bond anticipation note on November 17, 2015, in the amount of \$4,850,000, at an interest rate of 2.00%, maturing November 17, 2016. This included a premium of \$20,628, making the effective interest rate for the note 0.7582%.

11. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year, excluding pension and other postemployment benefits obligations, are summarized below:

	Balance May 31, 2015	Additions	Reductions	Balance May 31, 2016
Long-term debt:				
Bonds payable	<u>\$ 2,830,000</u>	<u>\$</u>	<u>\$ (410,000)</u>	<u>\$ 2,420,000</u>

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2016
Serial Bonds	5/15/2010	6/15/2018	2.50 - 3.25%	\$ 780,000
Refunding Serial Bonds	10/14/2014	6/15/2025	2.00 - 3.00%	1,640,000
				<u>\$ 2,420,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
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	170,000	27,150	197,150
2022 -2026	<u>820,000</u>	<u>60,750</u>	<u>880,750</u>
Total	<u>\$ 2,420,000</u>	<u>\$ 270,975</u>	<u>\$ 2,690,975</u>

Interest expense on long-term debt was \$72,119 for the year ended May 31, 2016.

12. 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, 2016, 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, 2016, the full amount of the bonds remained unissued.

13. PENSION PLANS

New York State and Local Employees' Retirement System

a) Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

b) Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the 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. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

c) Funding Policies

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. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31st, for the current year and two preceding years was:

Year	ERS
2016	\$ 147,570
2015	150,826
2014	170,653

d) Pension, Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2016, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports delivered to the Village.

Measurement date	March 31, 2016
Net pension liability	\$ 405,659
Village's portion of the Plan's total net pension liability	0.0025274%

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

At May 31, 2016, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,050	\$ 48,084
Changes of assumptions	108,177	
Net difference between projected and actual earnings on pension plan investments	240,659	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	55,470	
Village's contributions subsequent to the measurement date	<u>20,508</u>	
Total	<u>\$ 426,864</u>	<u>\$ 48,084</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2016
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate :

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (914,732)	\$ (405,659)	\$ 24,486

INCORPORATED VILLAGE OF SALTIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

	<i>Dollars in thousands</i>
Measurement date	March 31, 2016
Employers' total pension liability	\$ (172,303,544)
Plan fiduciary net position	<u>156,253,265</u>
Employers' net pension liability	<u>\$ (16,050,279)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	90.68%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2016, represent the projected employer contribution for the period of April 1, 2016 through May 31, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 amounted to \$20,508 of employer contributions. Employee contributions are remitted monthly.

14. POSTEMPLOYMENT HEALTHCARE 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, 2016, the Village recognized a general fund expenditure of \$42,303 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)	\$ 182,368
Interest on net OPEB obligation	26,578
Adjustment to ARC	<u>(32,776)</u>
Annual OPEB cost (expense)	176,170
Contributions made	<u>(42,303)</u>
Increase in net OPEB obligation	133,867
Net OPEB obligation - beginning of year	<u>664,441</u>
Net OPEB obligation - end of year	<u>\$ 798,308</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, 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
May 31, 2016	\$ 176,170	24.0%	\$ 798,308
May 31, 2015	180,135	37.0%	664,441
May 31, 2014	171,809	20.4%	551,035

D. Funded Status and Funding Progress

As of June 1, 2015, the date of the most recent actuarial valuation, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,087,142 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,087,142. The covered payroll (annual payroll of active employees covered by the plan) was \$600,976 and the ratio of the UAAL to the covered payroll was 347.3%.

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, 2015, 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, reduced by decrements to an ultimate rate of 5.0% for health after 30 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

15. DEFERRED REVENUES

Deferred revenues in the amount of \$10,985 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.

16. 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, 2016, 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, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 2,103,340	\$ 2,103,340	\$ 2,112,889	\$ 9,549
Other Real Property Tax Items				
Interest and penalties	7,000	7,000	6,973	(27)
Non-Property Tax Items				
Utilities gross receipts tax	5,000	5,000	4,635	(365)
Franchise fees	168,922	168,922	163,422	(5,500)
Total Non-Property Tax Items	173,922	173,922	168,057	(5,865)
Departmental Income				
Clerk fees	5,280	5,280	4,907	(373)
Safety inspection fees	35,000	35,000	75,825	40,825
Health	3,500	3,500	3,500	-
Park and recreational charges	201,000	201,000	207,022	6,022
Special recreational facility charges	61,136	61,136	59,800	(1,336)
Library receipts	3,250	3,250	2,575	(675)
Zoning fees	4,500	4,500	5,886	1,386
Water sales	170,620	170,620	171,042	422
Total Departmental Income	484,286	484,286	530,557	46,271
Intergovernmental Charges				
Public safety	46,650	46,650	30,000	(16,650)
Use of Money and Property				
Interest and earnings	10,678	10,678	3,247	(7,431)
Rental of real property	107,960	107,960	117,681	9,721
Total Use of Money and Property	118,638	118,638	120,928	2,290
Licenses and Permits	42,500	42,500	37,817	(4,683)
Fines and Forfeitures	1,250	1,250	2,300	1,050
Sales of Property and Compensation for Loss				
Sale of equipment	2,500	2,500	1,197	(1,303)
Insurance recoveries	30,000	30,000	2,168	(27,832)
Total Federal Aid	32,500	32,500	3,365	(29,135)
Miscellaneous				
Gifts and donations	20,500	20,500	23,100	2,600
Other	39,000	39,000	6,860	(32,140)
Total Miscellaneous	59,500	59,500	29,960	(29,540)
State Aid				
Revenue sharing	2,826	2,826	2,826	-
Mortgage tax	37,000	37,000	49,081	12,081
Youth programs	1,100	1,100	1,216	116
Other general government aid	1,977	1,977	74,861	72,884
Total State Aid	42,903	42,903	127,984	85,081
Federal Aid				
Federal disaster assistance	192,500	192,500	106,930	(85,570)
Total Revenues	3,304,989	3,304,989	3,277,760	(27,229)
OTHER FINANCING SOURCES				
Operating transfers in	-	-	40,740	40,740
Total Revenues and Other Financing Sources	\$ 3,304,989	\$ 3,304,989	3,318,500	\$ 13,511

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, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government Support				
Legislative board				
Contractual services	\$ 3,500	\$ 3,500	\$ 2,817	\$ 683
Village justice court				
Personal services	750	750	425	325
Contractual services	100	300	300	-
Auditor				
Contractual services	31,000	37,000	37,000	-
Clerk and staff				
Personal services	278,500	287,300	287,252	48
Equipment	1,000	3,700	3,673	27
Contractual services	46,730	48,130	48,063	67
Law				
Contractual services	43,500	72,800	72,726	74
Election				
Contractual services	1,000	1,500	1,118	382
Buildings - village hall				
Personal services	159,445	159,445	152,157	7,288
Equipment	8,250	9,250	8,770	480
Contractual services	285,998	241,998	227,350	14,648
Unallocated insurance				
Contractual services	97,753	114,753	114,721	32
Refund of taxes				
Contractual services	73,170	83,370	83,294	76
Other general government support				
Disaster recovery expenditures	83,230	64,730	29,230	35,500
Total General Government Support	<u>1,113,926</u>	<u>1,128,526</u>	<u>1,068,896</u>	<u>59,630</u>
Public Safety				
Police				
Personal services	157,840	158,940	158,911	29
Equipment	800	800	-	800
Contractual services	14,094	14,094	9,559	4,535
Fire Department				
Personal services	8,428	8,428	3,680	4,748
Equipment	40,000	40,000	20,550	19,450
Contractual services	63,650	63,650	58,364	5,286
Total Public Safety	<u>284,812</u>	<u>285,912</u>	<u>251,064</u>	<u>34,848</u>
Health				
Public health				
Contractual services	21,000	21,500	21,380	120
Total Health	<u>21,000</u>	<u>21,500</u>	<u>21,380</u>	<u>120</u>
Transportation				
Sidewalks				
Personal services	60,230	60,230	53,872	6,358
Equipment	3,500	3,500	-	3,500
Contractual services	46,450	26,450	11,978	14,472
Off street parking				
Contractual services	12,250	12,250	9,461	2,789
Total Transportation	<u>122,430</u>	<u>102,430</u>	<u>75,311</u>	<u>27,119</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, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)				
Culture and Recreation				
Playground				
Personal services	\$ 102,058	\$ 102,058	\$ 89,621	\$ 12,437
Equipment	5,500	5,500	14	5,486
Contractual services	9,000	9,000	5,639	3,361
Special recreation				
Personal services	180,967	184,967	184,929	38
Equipment	250	1,750	1,599	151
Contractual services	37,912	37,912	36,043	1,869
Youth				
Personal services	76,100	76,100	73,520	2,580
Equipment	500	1,000	663	337
Contractual services	52,000	60,100	60,043	57
Culture				
Personal services	10,500	10,500	7,880	2,620
Contractual services	2,750	2,750	2,373	377
Other culture and recreation				
Personal services	9,428	9,628	9,613	15
Equipment	550	550	-	550
Contractual services	38,250	7,250	7,017	233
Total Culture and Recreation	<u>525,765</u>	<u>509,065</u>	<u>478,954</u>	<u>30,111</u>
Home and Community Services				
Refuse				
Personal services	42,063	42,063	41,866	197
Contractual services	85,250	85,250	81,598	3,652
Water transportation and distribution				
Personal services	85,278	65,278	64,649	629
Equipment	5,000	5,000	-	5,000
Contractual services	40,350	40,350	34,065	6,285
Total Home and Community Services	<u>257,941</u>	<u>237,941</u>	<u>222,178</u>	<u>15,763</u>
Employee Benefits				
State employee retirement	150,000	168,500	168,078	422
Social security and Medicare	89,329	89,329	85,177	4,152
Workers compensation	35,000	35,600	35,551	49
Unemployment insurance	7,827	9,227	9,141	86
Disability insurance	2,000	2,000	1,352	648
Hospital and medical insurance	158,857	158,857	157,091	1,766
MTA tax	3,983	3,983	871	3,112
Total Employee Benefits	<u>446,996</u>	<u>467,496</u>	<u>457,261</u>	<u>10,235</u>
Debt Service				
Principal	410,000	410,000	410,000	-
Interest	122,119	142,119	142,119	-
Total Debt Service	<u>532,119</u>	<u>552,119</u>	<u>552,119</u>	<u>-</u>
Total Expenditures	<u>\$ 3,304,989</u>	<u>\$ 3,304,989</u>	<u>3,127,163</u>	<u>\$ 177,826</u>
Net Changes in Fund Balance			191,337	
Fund Balance - Beginning of Year			<u>1,351,550</u>	
Fund Balance - End of Year			<u>\$ 1,542,887</u>	

Note to Other Supplementary Information
Budget Basis of Accounting - Budgets are adopted on the modified accrual basis of accounting

**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, 2016, 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 9, 2016. 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 9, 2016.

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 9, 2016

