



**INCORPORATED VILLAGE OF SALTAIRE**  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS  
May 31, 2020

**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 the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2020, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

## ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Saltaire, as of May 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the Village's proportionate share of the net pension liability, schedule of Village pension contributions and schedule of changes in the Village's total OPEB liability and related ratios on pages 3 through 13 and 42 through 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 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 effectiveness of the Incorporated Village of Saltaire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Saltaire's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 16, 2020

**INCORPORATED VILLAGE OF SALTAIRE  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Incorporated Village of Saltaire’s discussion and analysis of the financial performance provides an overall review of the Village’s financial activities for the fiscal year ended May 31, 2020 in comparison with the year ended May 31, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements, and notes to financial statements, which immediately follow this section.

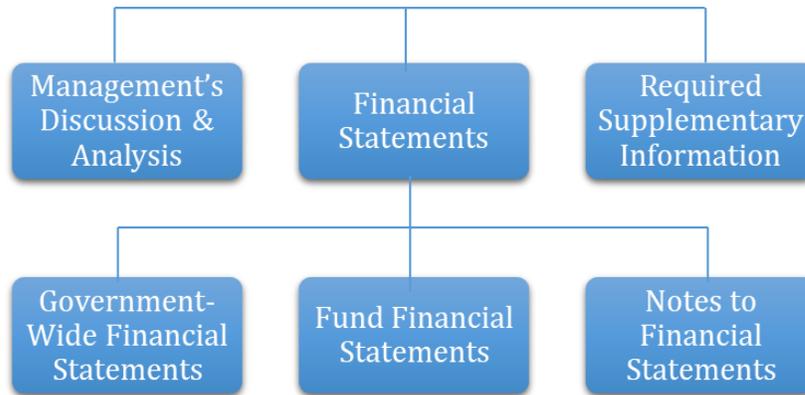
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2020 are as follows:

- The Village’s total net position, as reflected in the government-wide financial statements, increased by \$2,399,494. This was due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting.
- The Village’s expenses for the year, as reflected in the government-wide financial statements, totaled \$4,232,833. This was offset by program charges for services and capital grants totaling \$3,602,611. General revenues of \$3,029,716 amount to 45.68% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund’s total fund balance, as reflected in the fund financial statements, decreased by \$84,439. This was due to an excess of expenditures over revenues using the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund unassigned fund balance at year end was \$2,867,650. This represents an increase of \$14,732 over the prior year.
- The Village’s 2020 property tax levy of \$2,346,946 was a 3.69% increase over the 2019 tax levy. The Village’s property tax cap was 4.15%.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (MD&A), the financial statements, and required supplementary information. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. Government-Wide Financial Statements**

The government-wide financial statements present the governmental activities of the Village and are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the Village incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains two individual governmental funds: general fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the Village's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the government-wide financial statements because the Village cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

**A. Net Position**

The Village's total net position increased by \$2,399,494 between fiscal year 2020 and 2019. The increase is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. A summary of the Village's Statements of Net Position follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 6,297,970	\$ 6,812,703	\$ (514,733)	(7.56)%
Capital Assets, Net	31,535,683	28,139,165	3,396,518	12.07 %
Total Assets	<u>37,833,653</u>	<u>34,951,868</u>	<u>2,881,785</u>	8.25 %
<b>Deferred Outflows of Resources</b>	<u>695,958</u>	<u>231,527</u>	<u>464,431</u>	200.59 %
<b>Liabilities</b>				
Current and Other Liabilities	4,647,364	3,939,878	707,486	17.96 %
Long-Term Liabilities	7,790,000	8,290,000	(500,000)	(6.03)%
Net Pension Liability -				
Proportionate Share	661,255	172,400	488,855	283.56 %
Total OPEB Obligation	<u>2,850,033</u>	<u>2,513,040</u>	<u>336,993</u>	13.41 %
Total Liabilities	<u>15,948,652</u>	<u>14,915,318</u>	<u>1,033,334</u>	6.93 %
<b>Deferred Inflows of Resources</b>	<u>180,473</u>	<u>267,085</u>	<u>(86,612)</u>	(32.43)%
<b>Net Position</b>				
Net Investment in Capital Assets	19,995,683	16,749,165	3,246,518	19.38 %
Restricted	97,526	97,437	89	0.09 %
Unrestricted	<u>2,307,277</u>	<u>3,154,390</u>	<u>(847,113)</u>	(26.86)%
Total Net Position	<u>\$ 22,400,486</u>	<u>\$ 20,000,992</u>	<u>\$ 2,399,494</u>	12.00 %

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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The decrease in current and other assets was primarily the result of decreases in the amounts due from state and federal, due from other governments, and prepaid expenses, offset by an increase in cash.

The increase in capital assets is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Deferred outflows of resources represents contributions to the pension plan subsequent to the measurement date and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The increase in current and other liabilities is primarily in connection with increases in bond anticipation notes payable and accounts payable, offset by a decrease in collections in advance.

The decrease in long-term liabilities is the result debt principal payments.

Net pension liability – proportionate share represents the Village's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt.

The restricted amount relates to the Village's repair reserve. This number increased over the prior year due to interest earned.

The unrestricted amount relates to the balance of the Village's net position. This balance does not include the Village's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the Village's unrestricted net position. One such unfunded liability is the total OPEB obligation. In accordance with state guidelines, the Village is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**B. Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended May 31, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 623,870	\$ 568,144	\$ 55,726	9.81 %
Capital Grants	2,978,741	5,095,654	(2,116,913)	(41.54)%
General Revenues				
Property Taxes	2,344,044	2,260,228	83,816	3.71 %
State Sources	75,320	55,825	19,495	34.92 %
Other	610,352	619,269	(8,917)	(1.44)%
Total Revenues	<u>6,632,327</u>	<u>8,599,120</u>	<u>(1,966,793)</u>	(22.87)%
<b>Expenses</b>				
General government	1,403,279	1,386,758	16,521	1.19 %
Public safety	437,265	333,760	103,505	31.01 %
Health	93,421	30,022	63,399	211.18 %
Transportation	61,561	54,982	6,579	11.97 %
Culture and recreation	806,248	723,361	82,887	11.46 %
Home and community	366,719	308,582	58,137	18.84 %
Debt Service - Interest	273,520	197,305	76,215	38.63 %
Depreciation - unallocated	790,820	718,667	72,153	10.04 %
Total Expenses	<u>4,232,833</u>	<u>3,753,437</u>	<u>479,396</u>	12.77 %
Change in Net Position	<u>\$ 2,399,494</u>	<u>\$ 4,845,683</u>	<u>\$ (2,446,189)</u>	(50.48)%

The Village's net position increased by \$2,399,494 and \$4,845,683 for the years ended May 31, 2020 and 2019, respectively.

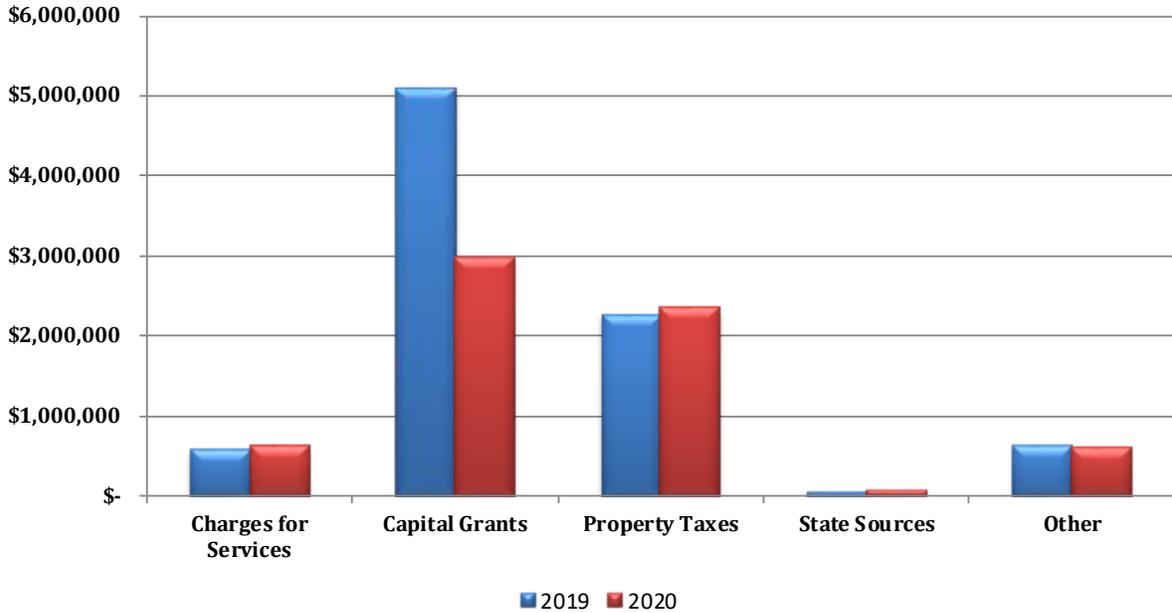
The Village's revenues decreased \$1,966,793 from the prior year. The decrease is mainly attributable to a decrease in capital grants, which is the result of decreased FEMA aid for repair projects.

Expenses increased \$479,396 over the prior year, mainly in the areas of public safety, culture and recreation, debt service – interest, depreciation – unallocated, health, and home and community. Public safety and culture and recreation increased primarily due to an increase in salaries and benefits. Debt service – interest increased due to interest paid on BANs. Depreciation – unallocated increased due to completed capital projects being placed in service. Health increased due to an increase in COVID-19 related expenditures. Home and community increased due to an increase in refuse services and an increase in benefits.

As indicated on the graphs that follow, capital grants is the largest component of revenues recognized for the 2020 year (i.e., 44.9% and 59.3% of total for the years 2020 and 2019, respectively) and General government expenses is the largest category of expenses incurred (i.e., 33.2% and 36.9% of the total for the years 2020 and 2019, respectively).

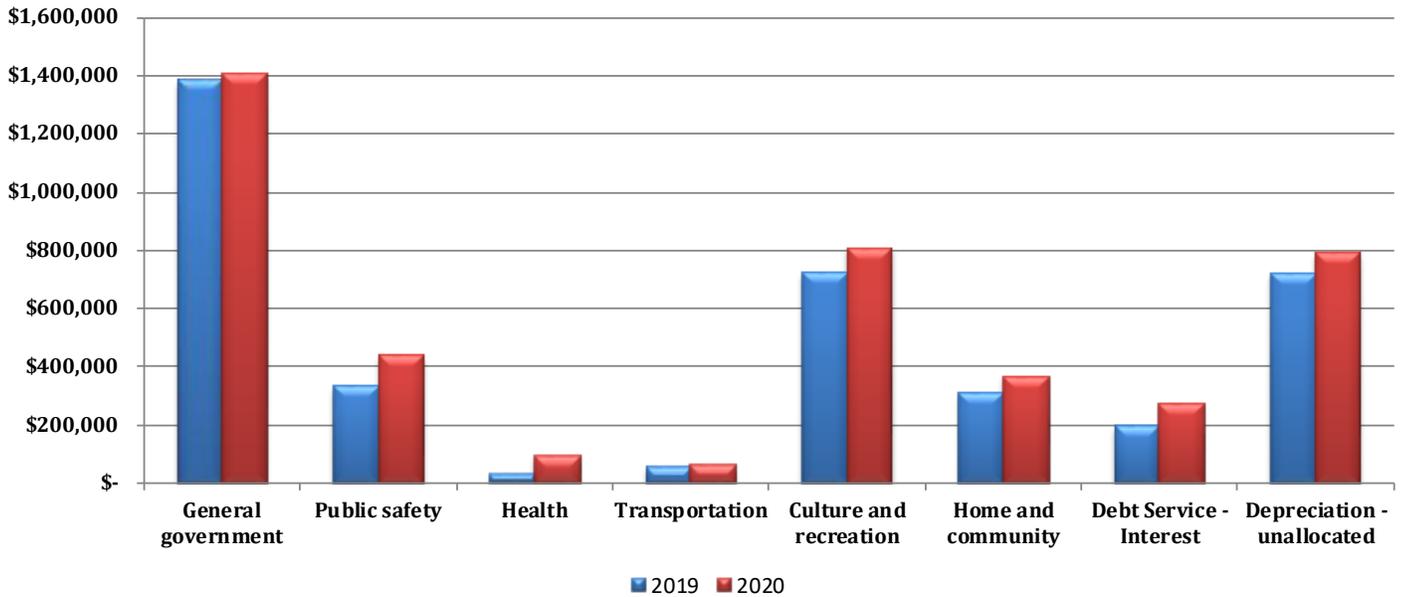
**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
<b>2019</b>	6.6%	59.3%	26.3%	0.6%	7.2%
<b>2020</b>	9.4%	44.9%	35.3%	1.1%	9.3%

A graphic display of the distribution of expenses for the two years follows:



	General government	Public safety	Health	Transportation	Culture and recreation	Home and community	Debt Service - Interest	Depreciation - unallocated
<b>2019</b>	36.9%	8.9%	0.8%	1.5%	19.3%	8.2%	5.3%	19.1%
<b>2020</b>	33.2%	10.2%	2.2%	1.5%	19.0%	8.7%	6.5%	18.7%

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

At May 31, 2020, the Village's governmental funds reported a combined fund balance of \$1,747,869, which is a decrease of \$1,240,238 from the prior year. This decrease is due to an excess of expenditures over revenues using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable			
Inventory	\$ 17,620	\$ 53,597	\$ (35,977)
Prepays	114,773	87,182	27,591
Restricted: Repairs	97,526	97,437	89
Assigned:			
Appropriated fund balance	22,704	113,578	(90,874)
Unappropriated fund balance	3,321	3,321	-
Unassigned: Fund balance	<u>2,867,650</u>	<u>2,852,918</u>	<u>14,732</u>
	3,123,594	3,208,033	(84,439)
<b>Capital Projects Fund</b>			
Unassigned: Fund balance (deficit)	<u>(1,375,725)</u>	<u>(219,926)</u>	<u>(1,155,799)</u>
 Total Fund Balance	 <u>\$ 1,747,869</u>	 <u>\$ 2,988,107</u>	 <u>\$ (1,240,238)</u>

**A. General Fund**

The net change on the general fund-fund balance is a decrease of \$84,439 compared to a decrease of \$251,735 in 2019. Expenditures of \$3,720,308 exceeded revenues of \$3,635,869. Revenues increased by \$132,403 over fiscal 2019 totals. The increase is primarily attributable to increases in real property taxes, non-property taxes, and departmental income. These increases were offset by a decrease in miscellaneous revenues. The increase in real property taxes was due to a budgeted increase. Non-property taxes increased due to an increase in franchise fees, and departmental income increased due to an increase in camp fees and water service charges. Miscellaneous revenues decreased from the prior year due to a one-time revenue for refund of prior year expenses received in 2019. Expenditures and other uses decreased by \$34,893. This was due to a decrease in debt service – principal, operating transfers out, and general government, offset by increases in debt service interest, health, employee benefits, and home and community. Debt service – principal decreased due to a final payment being made on a bond in the prior year. Operating transfers out decreased because the Village did not transfer any fund to capital projects in the current year. General government decreased primarily due to the Village requiring fewer legal services in the current year. Debt service – interest increased due to the payment of interest on bond anticipation notes. Health increased due to expenditures related to COVID-19. Employee benefits increased primarily due to an increase in health insurance benefits. Home and community increased due to an increase in refuse removal expenditures.

**B. Capital Projects Fund**

The capital projects fund-fund balance deficit increased by \$1,155,799, as compared to the prior year. This is due expenditures of \$4,134,557 exceeding state and federal sources of \$2,978,741 and miscellaneous revenues of \$17.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The Village's general fund adopted budget for the year ended May 31, 2020 was \$3,663,731. This amount was increased by a supplemental appropriation of \$46,596 for a total final budget of \$3,710,327.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$2,346,946 in estimated property taxes.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 2,852,918
Fund Balance Appropriated for Budget Revision	(46,596)
Revenues Over Budget	85,716
Expenditures Over Budget	(9,981)
Net Change in Nonspendable Fund Balance	8,386
Allocation to Reserves	(89)
Appropriated for the 2021 Budget	<u>(22,704)</u>
Closing, Unassigned Fund Balance	<u>\$ 2,867,650</u>

**Opening, Unassigned Fund Balance**

The \$2,852,918 shown in the table is the portion of the Village's May 31, 2019 fund balance that was retained as unassigned.

**Fund Balance Appropriated for Budget Revision**

The Village increased appropriations by \$46,596, funded by unassigned fund balance. The increase was needed to retain additional staff, purchase additional supplies, and implement policies to protect employees, residents, and visitors of the Village due to the COVID-19 virus pandemic. This decreases the unassigned portion of the general fund fund balance.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Revenues Over Budget

The 2019-2020 budget for revenues was \$3,550,153. Actual revenues recognized for the year were \$3,635,869. The excess of actual revenue over estimated or budgeted revenue was \$85,716, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2019 to May 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures Over Budget

The 2019-2020 original budget for expenditures was \$3,663,731. The budget was increased by a budget revision of \$46,596 for a final budget of \$3,710,327. Actual expenditures as of May 31, 2020 were \$3,720,308. The final budget was over expended by \$9,981. This over expenditure contributes directly to the change to the general fund unassigned fund balance from May 31, 2019 to May 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The Village prepaid various insurance premiums and purchased ferry tickets available for resale at May 31, 2020. The resulting balance sheet assets (prepaids and inventory) cannot be spent because it is not in spendable form. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance reduces unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance, unless and until these monies are actually expended. The allocation to reserves represents interest earned on reserve balances.

Appropriated Fund Balance

The Village has chosen to use \$22,704 of the available May 31, 2020 unassigned fund balance to partially fund the 2020-2021 approved operating budget. As such, the May 31, 2020 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2020 was \$2,867,650.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES**

**A. Capital Assets**

At May 31, 2020, the Village had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$4,187,338 in excess of depreciation expense of \$790,820 recorded for the year ended May 31, 2020. A summary of the Village's capital assets, net of accumulated depreciation at May 31, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 1,608,064	\$ 1,608,064	\$ -
Construction in Progress	682,108	2,755,183	(2,073,075)
Buildings	7,359,705	7,573,154	(213,449)
Improvements Other Than Buildings	457,314	528,454	(71,140)
Machinery and Equipment	363,400	363,266	134
Infrastructure	21,065,092	15,311,044	5,754,048
Capital assets, net	<u>\$ 31,535,683</u>	<u>\$ 28,139,165</u>	<u>\$ 3,396,518</u>

**B. Debt Administration**

At May 31, 2020, the Village had total bonds payable of \$7,790,000. The bonds were issued for public improvements, the construction of a community center and market, and the acquisition of a pumper truck, and the refunding of bonds originally issued for improvements to Village docks and bulkheads and the acquisition of a fire-fighting vehicle. The decrease in outstanding debt represents current year principal payments of \$500,000. A summary of the outstanding debt at May 31, 2020 and 2019 is as follows:

	Issue Date	Interest Rate	2020	2019	Increase (Decrease)
<b>Bonds Payable</b>					
	10/14/2014	2.00 - 3.00%	\$ 990,000	\$ 1,165,000	\$ (175,000)
	10/20/2016	2.00 - 2.30%	5,460,000	5,725,000	(265,000)
	2/19/2019	3.00 - 3.30%	1,340,000	1,400,000	(60,000)
			<u>\$ 7,790,000</u>	<u>\$ 8,290,000</u>	<u>\$ (500,000)</u>

The Village's latest underlying, long-term credit rating from S&P Global Ratings is AAA/Stable. The Village's outstanding serial bonds at May 31, 2020 are approximately 42.03% of the Village's debt limit.

**INCORPORATED VILLAGE OF SALTAIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**C. Other Long-Term Liabilities**

Included in the Village's long-term liabilities are the estimated amounts due for net pension liability – proportionate share and total other postemployment benefits obligation. The net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2020	2019	Increase (Decrease)
Net pension liability - proportionate share	\$ 661,255	\$ 172,400	\$ 488,855
Total OPEB obligation	2,850,033	2,513,040	336,993
	\$ 3,511,288	\$ 2,685,440	\$ 825,848

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the Board of Trustees on March 26, 2020, for the year ending May 31, 2021, is \$3,665,331. This is an increase of \$1,600 or 0.04% over the previous year's budget.

The Village budgeted non-property tax revenues and appropriated fund balance at a \$30,709 decrease from the prior year's estimate. A property tax increase of 1.38% (tax levy to tax levy) was needed to cover the increase in projected expenditures.

**B. Future Budgets**

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, may impact the Village's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. A subsequent vote to override the tax levy limit requires a 60% vote of the voting power of the governing body to pass (i.e., super majority). Based on the law, the Village's tax cap was 3.20%. The Village's 2020-2021 property tax increase of 1.38% was less than the tax cap and did not require an override vote.

**8. CONTACTING THE VILLAGE**

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Requests for additional information can be directed to:

Mario Posillico, Village Administrator  
Incorporated Village of Saltaire  
P.O. Box 5551  
Bay Shore, NY 11706

**INCORPORATED VILLAGE OF SALTAIRE**  
**Statement of Net Position**  
May 31, 2020

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 3,102,349
Restricted	97,526
Receivables	
Accounts receivable	9,001
Due from state and federal	2,938,571
Due from other governments	18,130
Prepays	17,620
Inventory	114,773
Capital assets:	
Not being depreciated	2,290,172
Being depreciated, net of accumulated depreciation	<u>29,245,511</u>
 Total Assets	 <u>37,833,653</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	475,863
Other postemployment benefits	<u>220,095</u>
 Total Deferred Outflows of Resources	 <u>695,958</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	760,531
Accrued liabilities	114,963
Due to employees' retirement system	21,870
Notes payable: bond anticipation	3,750,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	495,000
Due and payable after one year	
Bonds payable	7,295,000
Net pension liability - proportionate share	661,255
Total other postemployment benefits	<u>2,850,033</u>
 Total Liabilities	 <u>15,948,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	22,553
Other postemployment benefits	<u>157,920</u>
 Total Deferred Inflows of Resources	 <u>180,473</u>
<b>NET POSITION</b>	
Net investment in capital assets	19,995,683
Restricted: Repairs	97,526
Unrestricted	<u>2,307,277</u>
 Total Net Position	 <u>\$ 22,400,486</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**Statement of Activities**  
For the Year Ended May 31, 2020

		Program Revenues		Net (Expense)
Expenses	Charges for	Capital	Revenue and	
	Services	Grants	Changes in	
			Net Position	
<b>FUNCTIONS/PROGRAMS</b>				
General government	\$ 1,403,279	\$ 4,507	\$	\$ (1,398,772)
Public safety	437,265	106,405		(330,860)
Health	93,421	6,500		(86,921)
Transportation	61,561		2,978,741	2,917,180
Culture and recreation	806,248	268,334		(537,914)
Home and community	366,719	238,124		(128,595)
Debt service - interest	273,520			(273,520)
Depreciation - unallocated	790,820			(790,820)
	<u>\$ 4,232,833</u>	<u>\$ 623,870</u>	<u>\$ 2,978,741</u>	<u>(630,222)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				2,344,044
Other tax items				6,873
Nonproperty taxes				310,116
Use of money and property				149,647
Licenses and permits				35,012
Sale of property and compensation for loss				9,578
Miscellaneous				99,126
State aid				75,320
				<u>3,029,716</u>
Total General Revenues				3,029,716
Change in Net Position				2,399,494
Total Net Position - Beginning of Year				<u>20,000,992</u>
Total Net Position - End of Year				<u>\$ 22,400,486</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**Balance Sheet - Governmental Funds**  
May 31, 2020

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash			
Unrestricted	\$ 1,334,776	\$ 1,767,573	\$ 3,102,349
Restricted	97,526		97,526
Receivables			
Accounts receivable	9,001		9,001
Due from other funds	1,635,570		1,635,570
Due from state and federal		2,938,571	2,938,571
Due from other governments	18,130		18,130
Prepays	17,620		17,620
Inventory	114,773		114,773
	<u>\$ 3,227,396</u>	<u>\$ 4,706,144</u>	<u>\$ 7,933,540</u>
<b>LIABILITIES</b>			
Payables			
Accounts payable	\$ 64,232	\$ 696,299	\$ 760,531
Due to other funds		1,635,570	1,635,570
Due to employees' retirement system	21,870		21,870
Notes payable: bond anticipation		3,750,000	3,750,000
	<u>86,102</u>	<u>6,081,869</u>	<u>6,167,971</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	17,700		17,700
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepays	17,620		17,620
Inventory	114,773		114,773
Restricted: Repairs	97,526		97,526
Assigned:			
Appropriated fund balance	22,704		22,704
Unappropriated fund balance	3,321		3,321
Unassigned: Fund balance (deficit)	2,867,650	(1,375,725)	1,491,925
	<u>3,123,594</u>	<u>(1,375,725)</u>	<u>1,747,869</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,227,396</u>	<u>\$ 4,706,144</u>	<u>\$ 7,933,540</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
May 31, 2020

Total Governmental Fund Balances (Deficit) \$ 1,747,869

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 38,296,208	
Less: Accumulated depreciation	<u>(6,760,525)</u>	31,535,683

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	475,863	
Net pension liability - employees' retirement system	(661,255)	
Deferred inflows of resources	<u>(22,553)</u>	(207,945)

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	220,095	
Total other postemployment benefits obligation	(2,850,033)	
Deferred inflows of resources	<u>(157,920)</u>	(2,787,858)

Some of the Village's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds but are not deferred on the Statement of Net Position. 17,700

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(114,963)	
Bonds payable	<u>(7,790,000)</u>	(7,904,963)

Total Net Position \$ 22,400,486

**INCORPORATED VILLAGE OF SALTAIRE**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended May 31, 2020

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Real property taxes	\$ 2,344,044	\$	\$ 2,344,044
Real property tax items	6,873		6,873
Non-property taxes	310,116		310,116
Departmental income	593,343		593,343
Intergovernmental income	30,000		30,000
Use of money and property	149,647		149,647
Licenses and permits	35,012		35,012
Fines and forfeited bail	527		527
Sale of property and compensation for loss	9,578		9,578
Miscellaneous	81,409	17	81,426
State aid	75,320	293,593	368,913
Federal aid		2,685,148	2,685,148
	<u>3,635,869</u>	<u>2,978,758</u>	<u>6,614,627</u>
<b>EXPENDITURES</b>			
General government	1,145,076		1,145,076
Public safety	335,660		335,660
Health	82,096		82,096
Transportation	47,935		47,935
Culture and recreation	574,273		574,273
Home and community	292,899		292,899
Employee benefits	468,530		468,530
Debt service			
Principal	500,000		500,000
Interest	273,839		273,839
Capital outlay		4,134,557	4,134,557
	<u>3,720,308</u>	<u>4,134,557</u>	<u>7,854,865</u>
Net Change in Fund Balances	(84,439)	(1,155,799)	(1,240,238)
Fund Balances (Deficit) - Beginning of Year	<u>3,208,033</u>	<u>(219,926)</u>	<u>2,988,107</u>
End of Year	<u>\$ 3,123,594</u>	<u>\$ (1,375,725)</u>	<u>\$ 1,747,869</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For the Year Ended May 31, 2020

Net Change in Fund Balances \$ (1,240,238)

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). 17,700

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.

Capital outlays and other additions	\$ 4,187,338	
Depreciation expense	(790,820)	
		3,396,518

Long-Term Debt Transactions Differences

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal	500,000	
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from May 31, 2019 to May 31, 2020.

	319	500,319
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Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Employees' retirement system	(126,279)	
Other postemployment benefits	(148,526)	
		(274,805)

Change in Net Position of Governmental Activities		\$ 2,399,494
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**INCORPORATED VILLAGE OF SALTAIRE**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
May 31, 2020

	<u>Agency</u>
<b>ASSETS</b>	
Cash: Unrestricted	<u>\$ 10,000</u>
Total Assets	<u><u>\$ 10,000</u></u>
<b>LIABILITIES</b>	
Other liabilities	<u>\$ 10,000</u>
Total Liabilities	<u><u>\$ 10,000</u></u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Incorporated Village of Saltaire (the “Village”), which was established in 1917, is governed by its Charter, New York State Village Law and other general laws of the State of New York and various local laws. The Board of Trustees, consisting of five members, is the legislative body responsible for overall operations. The Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are as follows:

**A. Reporting Entity**

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, which is the Village, organizations for which the primary government is financially accountable and 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.

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

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village’s reporting entity.

**B. Basis of Presentation**

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Financial Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The Village's financial statements present the following 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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

**General Fund** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

**Capital Projects Fund** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

**Fiduciary Funds** - are used to account for activities in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements, because their resources do not belong to the Village, and are not available to be used to finance Village operations. The following is the Village's fiduciary fund:

**Agency Funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the Village as custodian, trustee or agent.

**C. Measurement Focus and Basis of Accounting**

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the Village would not expect to liquidate currently with expendable available financial resources would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Charges for services are recognized in the year the services are provided.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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 general long-term debt, 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

**D. Real Property Taxes**

Real property taxes are levied no later than May 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. 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<sup>st</sup>, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

**E. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

**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 transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations.

In the Government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds 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 and payables activity is provided subsequently in these Notes to Financial Statements.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including pension costs, other postemployment benefits, potential contingent liabilities and useful lives of capital assets.

**H. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

**I. Receivables**

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

**J. Inventory and Prepaid Items**

Inventory consists of purchased ferry tickets available for resale and is stated at the lower of cost or market. 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 assets on the Statement of Net Position and Balance Sheet using the consumption method.

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 expense/expenditure is reported in the year the goods or services are consumed.

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

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**K. Capital Assets**

Capital assets are reflected in the Government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the Government-wide statements are as follows:

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

**L. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, 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. The Village has two items that qualify for reporting in this category. The first item is related to pensions and consists of the Village's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the Village's contributions to the pension system (ERS) subsequent to the measurement date. The second item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

**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 bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date; seven years if originally issued during calendar year 2015 through and including 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

**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.

**O. Other Benefits**

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

Village employees may choose to participate in the Village's elective deferred compensation plan established under Internal Revenue Code Section 457.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The Village provides individual or family health insurance coverage for active employees pursuant to the Village employment policy.

In addition to providing these benefits, the Village provides individual, family, or surviving spouse postemployment health insurance coverage for eligible retired employees. The Village's employment policy determines if Village employees are eligible for these benefits if they meet the minimum service requirements. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

**P. 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/expense credit) until that time. The Village has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods when the availability criterion is met, unavailable revenues are treated as revenues. The second item is related to pensions reported in the government-wide Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense and the Village's contributions to the pension system (ERS) subsequent to the measurement date. The third item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

**Q. Equity Classifications**

Government-wide Statements

In the Government-wide statements there are three classes of net position:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above two classifications.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Statements

The 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 consists of inventory and prepaids, which are recorded in the general fund.

*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. The Village has established the following restricted fund balances:

*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.

*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. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*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 to report a deficit fund balance resulting from overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, 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 the budget or any Board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then from the unassigned fund balance.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**2. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
May 31, 2021	GASB No. 84 - <i>Fiduciary Activities</i>

GASB Statement No. 84 will require the Village to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the government-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the Village's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

**B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities**

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the Village's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The Village administration submits a tentative budget for approval by the Board of Trustees for the general fund. 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 15. 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 1. All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations authorized for the year are increased by the amount of 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 appropriations 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. A supplemental appropriation was approved during the year in the amount of \$46,596 to for public health related expenditures, which was funded with unassigned fund balance.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**C. Over Expenditure of the General Fund Budget**

The Village over expended the general fund budget by \$9,981.

**D. Capital Projects Fund**

The capital projects fund has an unassigned fund balance deficit of \$1,375,725. This will be funded when the Village obtains permanent financing for its current construction project.

**5. 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:

- 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 or foreign currency risk.

**Investment pool:**

The Village participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Total investments of the cooperative at May 31, 2020 are \$3,819,493,557, which consisted of \$381,158,925 in repurchase agreements, \$2,489,800,599 in U.S. Treasury Securities, \$195,008,541 in certificates of deposit and \$753,525,492 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 1,408,722
Capital Projects	1,284,692
	\$ 2,693,414

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at May 31, 2020 consisted of:

Capital Projects Fund	
New York State - Division of Homeland Security and Emergency Services	\$ 293,593
Federal Emergency Management Agency	2,644,978
	\$ 2,938,571

Village management expects these amounts to be fully collectible.

**7. DUE FROM OTHER GOVERNMENTS**

The Village is owed \$18,130 in mortgage tax from Suffolk County at May 31, 2020. Village management expects this amount to be fully collectible.

**8. INTERFUND TRANSACTIONS**

Interfund balances and activities at May 31, 2020, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 1,635,570	\$
Capital Projects Fund		1,635,570
Total	\$ 1,635,570	\$ 1,635,570

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. CAPITAL ASSETS**

Capital asset balances and activity, for the Village, for the year ended May 31, 2020 were as follows:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,608,064	\$	\$	\$ 1,608,064
Construction in progress	2,755,183	1,682,108	(3,755,183)	682,108
Total capital assets not being depreciated	4,363,247	1,682,108	(3,755,183)	2,290,172
Capital assets being depreciated:				
Buildings	8,959,194			8,959,194
Improvements Other Than Buildings	1,085,983			1,085,983
Machinery and Equipment	1,512,011	52,781		1,564,792
Infrastructure	18,188,435	6,207,632		24,396,067
Total capital assets being depreciated	29,745,623	6,260,413	-	36,006,036
Less accumulated depreciation for:				
Buildings	1,386,040	213,449		1,599,489
Improvements Other Than Buildings	557,529	71,140		628,669
Machinery and Equipment	1,148,745	52,647		1,201,392
Infrastructure	2,877,391	453,584		3,330,975
Total accumulated depreciation	5,969,705	790,820		6,760,525
Total capital assets, being depreciated, net	23,775,918	5,469,593	-	29,245,511
Capital assets, net	<u>\$ 28,139,165</u>	<u>\$ 7,151,701</u>	<u>\$ (3,755,183)</u>	<u>\$ 31,535,683</u>

The total depreciation expense recorded in the government-wide statements is \$790,820.

**10. SHORT-TERM DEBT**

Short-term debt activity for the year is summarized below:

	Maturity	Interest Rate	Balance May 31, 2019	Issued	Redeemed	Balance May 31, 2020
BAN	2/19/2020	3.00%	\$ 3,100,000	\$	\$ (3,100,000)	\$
BAN	2/18/2021	1.50%		3,750,000		3,750,000
			<u>3,100,000</u>	<u>3,750,000</u>	<u>(3,100,000)</u>	<u>3,750,000</u>

Interest on short-term debt for the year was \$93,000. The Village received a premium of \$31,093, which is included in miscellaneous revenue in the general fund.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Interest on short-term debt for the year was composed of:

Interest paid	\$ 93,000
Less interest accrued in the prior year	(25,989)
Plus interest accrued in the current year	<u>31,438</u>
 Total interest expense on short-term debt	 <u>\$ 98,449</u>

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance May 31, 2019	Additions	Reductions	Balance May 31, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	<u>\$ 8,290,000</u>	<u>\$</u>	<u>\$ (500,000)</u>	<u>\$ 7,790,000</u>	<u>\$ 495,000</u>

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2020
Refunding Serial Bonds	10/14/2014	6/15/2025	2.00 - 3.00%	\$ 990,000
Serial Bonds	10/20/2016	6/15/2036	2.00 - 2.30%	5,460,000
Serial Bonds	2/19/2019	12/15/2039	3.00 - 3.30%	<u>1,340,000</u>
				<u>\$ 7,790,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
2021	\$ 495,000	\$ 176,935	\$ 671,935
2022	505,000	164,785	669,785
2023	505,000	152,460	657,460
2024	510,000	140,110	650,110
2025	515,000	127,735	642,735
2026 -2030	2,045,000	485,725	2,530,725
2031 -2035	2,110,000	266,780	2,376,780
2036 -2040	<u>1,105,000</u>	<u>46,628</u>	<u>1,151,628</u>
Total	<u>\$ 7,790,000</u>	<u>\$ 1,561,158</u>	<u>\$ 9,351,158</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Interest Expense**

Interest on long-term debt for the year was composed of:

Interest paid	\$ 180,839
Less interest accrued in the prior year	(89,293)
Plus interest accrued in the current year	<u>83,525</u>
Total interest expense on long-term debt	<u><u>\$ 175,071</u></u>

**12. PENSION PLANS – NEW YORK STATE**

**A. General Information**

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 (NYSRSSL). 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 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. 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](http://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 systems 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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The Village paid 100% of the required contributions as billed by the ERS for the current year. The Village's average contribution rate was 13.67% of covered payroll for fiscal year ended March 31, 2020.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2020 was \$126,136 at an average contribution rate of 11.02%.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At May 31, 2020, the Village reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2020. 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 the system relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

Measurement date	March 31, 2020
Village's proportionate share of the net pension liability	\$ (661,255)
Village's portion of the Plan's total net pension liability	0.0024971%
Change in proportion since the prior measurement date	0.0000639

For the year ended May 31, 2020, the Village recognized pension expense of \$253,213. At May 31, 2020, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,918	\$
Changes of assumptions	13,315	11,497
Net difference between projected and actual earnings on pension plan investments	338,991	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	62,769	11,056
Village contributions subsequent to the measurement date	21,870	
Total	<u>\$ 475,863</u>	<u>\$ 22,553</u>

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending May 31,</u>	
2021	\$ 83,952
2022	110,860
2023	131,616
2024	<u>105,012</u>
	<u>\$ 431,440</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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, 2020
Actuarial valuation date	April 1, 2019
Inflation	2.50%
Salary increases	4.20%
Investment rate of return (net of investment expense, including inflation)	6.80%
Cost of living adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

The actuarial assumptions were 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 using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Measurement date		March 31, 2020
Asset type		
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Real estate	10.0%	4.95%
Private equities	10.0%	6.75%
Alternatives investments	8.0%	3.25-5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation indexed bonds	4.0%	0.50%
	<u>100.0%</u>	

Real rates of return are net of a long-term inflation assumption of 2.5%.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.80% (the discount rate used at the prior year's measurement date of March 31, 2019 was 7.00%). 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 systems' 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 Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current rate:

ERS	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,213,590)</u>	<u>\$ (661,255)</u>	<u>\$ (152,552)</u>

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:

	<u>(Dollars in Thousands)</u>
Measurement date	March 31, 2020
Employers' total pension liability	\$ (194,596,261)
Plan fiduciary net position	<u>168,115,682</u>
Employers' net pension liability	<u>\$ (26,480,579)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	86.39%

Payables to the Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2020, represent the projected employer contribution for the period of April 1, 2020 through May 31, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2020 amounted to \$21,870 of employer contributions. Employee contributions are remitted monthly.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. PENSION PLAN – OTHER**

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contribution to this plan. The amount deferred by eligible employees for the year ended May 31, 2020 totaled \$49,260.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* – The Village provides OPEB for eligible retired employees of the Village. The benefits provided to employees upon retirement are based on provisions in the employee handbook the Village has in place. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided* – The Village provides healthcare benefits for eligible retirees. The benefit terms are in accordance with the Village’s employment policy. The policy is on file at the Village offices and is available upon request.

*Employees Covered by Benefit Terms* – At May 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	8
	13

**B. Total OPEB Liability**

The Village’s total OPEB liability of \$2,850,033 was measured as of May 31, 2020, and was determined by an actuarial valuation as of June 1, 2019.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%	
Salary increases	3.50%	
Discount rate	2.63%	
Healthcare cost trend rates	7.10%	for 2020, decreasing to an ultimate rate of 4.50% by 2029
Retirees' share of benefit-related costs	0.00%	Individual hired prior to May 1, 2011
	25.00%	Individual hired after May 1, 2011
	25.00%	Dependents

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The discount rate was based on the S&P Municipal Bond 20 Year High-Grade Rate Index.

Mortality rates were based on RP-2014 Combined Annuitant Mortality Table, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

**C. Changes in the Total OPEB Liability**

Balance at May 31, 2019	<u>\$ 2,513,040</u>
Changes for the year	
Service cost	107,888
Interest	75,964
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	197,828
Benefit payments	(44,805)
Other changes	118
	<u>336,993</u>
Balance at May 31, 2020	<u>\$ 2,850,033</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.05% in 2019 to 2.63% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) or 1 percentage point higher (4.63%) than the current discount rate:

OPEB	1% Decrease 1.63 %	Discount Rate 2.63 %	1% Increase 3.63 %
Total OPEB liability	<u>\$ (3,316,323)</u>	<u>\$ (2,850,033)</u>	<u>\$ (2,471,817)</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.10%) or 1 percentage point higher (8.10%) than the current healthcare cost trend rate:

OPEB	1% Decrease 6.10 % decreasing to 3.50 %	Discount Rate 7.10 % decreasing to 4.50 %	1% Increase 8.10 % decreasing to 5.50 %
Total OPEB liability	<u>\$ (2,423,811)</u>	<u>\$ (2,850,033)</u>	<u>\$ (3,386,944)</u>

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended May 31, 2020, the Village recognized OPEB expense of \$193,331. At May 31, 2020, the Village reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 26,725
Changes of assumptions or other inputs	220,095	131,195
Total	\$ 220,095	\$ 157,920

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending May 31,	Amount
2021	\$ 9,478
2022	9,478
2023	9,478
2024	9,478
2025	24,263
	\$ 62,175

**15. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**16. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$22,704 has been appropriated to reduce taxes for the year ending May 31, 2021.

**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 prior audits, the Village's administration believes disallowances, if any, would be immaterial.

**INCORPORATED VILLAGE OF SALTAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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, 2020, which could affect future operating budgets of the Village.

**C. Litigation**

The Village is not aware of any material pending or threatened litigation claims against the Village. The Village is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

**18. SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID 19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the Village's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the Village's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

**INCORPORATED VILLAGE OF SALTAIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real Property Taxes	\$ 2,346,946	\$ 2,346,946	\$ 2,344,044	\$ (2,902)
Real Property Tax Items				
Interest & penalties on real property taxes	7,500	7,500	6,873	(627)
Non-Property Taxes				
Utilities gross receipts tax	5,000	5,000	7,554	2,554
Franchises	298,340	298,340	302,562	4,222
Total Non-Property Taxes	303,340	303,340	310,116	6,776
Departmental Income				
Zoning fees	7,500	7,500	7,519	19
Safety inspection fees	52,500	52,500	76,405	23,905
Clerk fees	5,120	5,120	3,980	(1,140)
Park & recreational charges	207,900	207,900	204,091	(3,809)
Special recreational facility charges	62,730	62,730	61,330	(1,400)
Library receipts	4,750	4,750	2,913	(1,837)
Health	4,000	4,000	6,500	2,500
Water sales	226,125	226,125	230,605	4,480
Total Departmental Income	570,625	570,625	593,343	22,718
Intergovernmental Charges				
Public Safety	30,000	30,000	30,000	-
Use of Money and Property				
Interest & earnings	30,746	30,746	46,647	15,901
Rental of real property	103,000	103,000	103,000	-
Total Use of Money and Property	133,746	133,746	149,647	15,901
Licenses and Permits	42,500	42,500	35,012	(7,488)
Fines and Forfeited Bail	2,500	2,500	527	(1,973)
Sale of Property & Compensation for Loss				
Insurance recoveries	-	-	4,577	4,577
Sales of equipment	6,000	6,000	5,001	(999)
Total Sale of Property & Compensation for Loss	6,000	6,000	9,578	3,578
Miscellaneous				
Other miscellaneous	34,093	34,093	46,338	12,245
Gifts & donations	18,000	18,000	35,071	17,071
Total Miscellaneous	52,093	52,093	81,409	29,316

**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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
State Aid				
Revenue sharing	\$ 2,826	\$ 2,826	\$ 5,603	\$ 2,777
Mortgage tax	49,000	49,000	65,624	16,624
Other general governmental aid	1,977	1,977	2,877	900
Youth programs	1,100	1,100	1,216	116
Total State Aid	<u>54,903</u>	<u>54,903</u>	<u>75,320</u>	<u>20,417</u>
Total Revenues	3,550,153	3,550,153	<u>3,635,869</u>	<u>\$ 85,716</u>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	<u>113,578</u>	<u>160,174</u>		
Total Revenues and Appropriated Fund Balance	<u>\$ 3,663,731</u>	<u>\$ 3,710,327</u>		

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES</b>				
General Government Support				
Legislative Board				
Contractual	\$ 5,050	\$ 5,050	\$ 9,185	\$ (4,135)
Village Justice Court				
Personal services	2,100	2,100	3,320	(1,220)
Contractual	250	250	7	243
Auditor				
Contractual	34,750	34,750	26,073	8,677
Fiscal Agent Fees				
Contractual	-	-	10,000	(10,000)
Clerk and Staff				
Personal services	387,000	387,000	388,580	(1,580)
Equipment	5,750	5,750	4,691	1,059
Contractual	50,075	50,075	51,313	(1,238)
Law				
Contractual	46,750	46,750	68,137	(21,387)
Election				
Contractual	1,200	1,200	121	1,079
Buildings - Village Hall				
Personal services	168,055	168,055	166,995	1,060
Equipment	65,500	65,500	54,021	11,479
Contractual	163,090	163,090	195,329	(32,239)
Unallocated Insurance				
Contractual services	144,131	144,131	104,590	39,541
Refund of taxes				
Contractual services	68,952	68,952	59,768	9,184
MTA Taxes				
Contractual services	4,776	4,776	2,085	2,691
Other General Government				
Contractual services	-	-	861	(861)
Total General Government Support	<u>1,147,429</u>	<u>1,147,429</u>	<u>1,145,076</u>	<u>2,353</u>
Public Safety				
Police				
Personal services	182,240	182,240	212,747	(30,507)
Equipment	500	500	1,781	(1,281)
Contractual	15,100	15,100	24,629	(9,529)
Fire Department				
Personal services	18,428	18,428	9,643	8,785
Equipment	45,793	45,793	38,231	7,562
Contractual	<u>55,650</u>	<u>55,650</u>	<u>48,629</u>	<u>7,021</u>
Total Public Safety	<u>317,711</u>	<u>317,711</u>	<u>335,660</u>	<u>(17,949)</u>
Health				
Public Health				
Personal services	12,500	21,467	21,467	-
Contractual	<u>23,000</u>	<u>60,629</u>	<u>60,629</u>	<u>-</u>
Total Health	<u>35,500</u>	<u>82,096</u>	<u>82,096</u>	<u>-</u>
Transportation				
Sidewalks				
Personal services	30,624	30,624	25,802	4,822
Equipment	3,500	3,500	2,325	1,175
Contractual	4,900	4,900	10,963	(6,063)
Off-Street Parking				
Contractual	<u>12,918</u>	<u>12,918</u>	<u>8,845</u>	<u>4,073</u>
Total Transportation	<u>51,942</u>	<u>51,942</u>	<u>47,935</u>	<u>4,007</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, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES</b>				
Culture & Recreation				
Playground				
Personal services	\$ 69,942	\$ 69,942	\$ 60,985	\$ 8,957
Contractual	9,000	9,000	25,638	(16,638)
Special Recreation				
Personal services	211,139	211,139	203,176	7,963
Equipment	2,600	2,600	2,629	(29)
Contractual	35,176	35,176	28,522	6,654
Youth				
Personal services	146,348	146,348	158,410	(12,062)
Equipment	1,500	1,500	1,632	(132)
Contractual	70,850	70,850	61,186	9,664
Culture				
Personal services	13,000	13,000	11,941	1,059
Equipment	3,500	3,500	-	3,500
Contractual	5,750	5,750	9,793	(4,043)
Other Culture And Recreation				
Personal services	4,425	4,425	4,763	(338)
Equipment	825	825	950	(125)
Contractual	2,250	2,250	4,648	(2,398)
Total Culture & Recreation	<u>576,305</u>	<u>576,305</u>	<u>574,273</u>	<u>2,032</u>
Home & Community				
Refuse				
Personal services	31,756	31,756	32,983	(1,227)
Contractual	86,185	86,185	111,997	(25,812)
Water transportation and distribution				
Personal services	127,273	127,273	106,804	20,469
Equipment	7,500	7,500	-	7,500
Contractual	36,750	36,750	41,115	(4,365)
Total Home & Community	<u>289,464</u>	<u>289,464</u>	<u>292,899</u>	<u>(3,435)</u>
Employee Benefits				
State employee retirement	125,844	125,844	126,136	(292)
Social security & Medicare	107,118	107,118	104,820	2,298
Workers' compensation	35,190	35,190	37,724	(2,534)
Disability insurance	2,000	2,000	1,443	557
Unemployment insurance	3,756	3,756	3,602	154
Hospital & medical insurance	192,633	192,633	194,805	(2,172)
Total Employee Benefits	<u>466,541</u>	<u>466,541</u>	<u>468,530</u>	<u>(1,989)</u>
Debt Service				
Principal	500,000	500,000	500,000	-
Interest	278,839	278,839	273,839	5,000
Total Debt Service	<u>778,839</u>	<u>778,839</u>	<u>773,839</u>	<u>5,000</u>
Total Expenditures	<u>\$ 3,663,731</u>	<u>\$ 3,710,327</u>	<u>3,720,308</u>	<u>\$ (9,981)</u>
Net Change in Fund Balance			(84,439)	
Fund Balance - Beginning of Year			<u>3,208,033</u>	
Fund Balance - End of Year			<u>\$ 3,123,594</u>	

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**INCORPORATED VILLAGE OF SALTAIRE**  
**Schedule of the Village's Proportionate Share of the Net Pension Liability**  
 Last Three Fiscal Years

***Employees' Retirement System***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Village's proportion of the net pension liability	0.0024971%	0.0024332%	0.0027228%
Village's proportionate share of the net pension liability	\$ 661,255	\$ 172,400	\$ 87,878
Village's covered payroll	\$ 1,039,285	\$ 911,247	\$ 909,804
Village's proportionate share of the net pension liability as a percentage of its covered payroll	63.63 %	18.92 %	9.66 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%
Discount rate	6.80%	7.00%	7.00%

*An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.*

**INCORPORATED VILLAGE OF SALTAIRE**  
**Schedule of Village Pension Contributions**  
 Last Two Fiscal Years

*Employees' Retirement System*

	2020	2019
Contractually required contribution	\$ 126,136	\$ 129,239
Contributions in relation to the contractually required contribution	126,136	129,239
Contribution deficiency (excess)	\$ -	\$ -
Village's covered payroll	\$ 1,144,965	917,996
Contributions as a percentage of covered payroll	11%	14%

*An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.*

**INCORPORATED VILLAGE OF SALTAIRE**  
**Schedule of Changes in the Village's Total OPEB Liability and Related Ratios**  
Last Two Fiscal Years

	2020	2019
Total OPEB liability		
Service cost	\$ 107,888	\$ 91,903
Interest	75,964	83,705
Changes in benefit terms	-	(50,760)
Differences between expected and actual experience	-	(39,434)
Changes of assumptions or other inputs	197,828	(60,586)
Benefit payments	(44,805)	(42,070)
Other changes	118	(50,533)
Net change in total OPEB liability	336,993	(67,775)
Total OPEB liability, beginning	2,513,040	2,580,815
Total OPEB liability, ending	\$ 2,850,033	\$ 2,513,040
Covered employee payroll	\$ 672,233	\$ 649,500
Total OPEB liability as a percentage of covered employee payroll	423.97%	386.92%
Discount rate	2.63%	3.05%
Health care trend rates	7.10% to 4.50% by 2029	7.10% to 4.50% by 2029

*An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.*

**Note to Required Supplementary Information**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits

**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 16, 2020.

**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 October 16, 2020.

## **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*

October 16, 2020