



**FINANCIAL STATEMENTS
(Regulatory Basis)**

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

May 31, 2018

INCORPORATED VILLAGE OF SALTAIRE
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Saltaire, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1, the financial statements are prepared by the Incorporated Village of Saltaire on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the New York State Office of the State Comptroller.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Saltaire, as of May 31, 2018, and the respective changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of each fund and account group of the Incorporated Village of Saltaire, as of May 31, 2018, and the respective changes in financial position for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Saltaire’s basic financial statements. The other supplementary information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018, 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

November 2, 2018

INCORPORATED VILLAGE OF SALTAIRE
Balance Sheet - All Fund Types and Account Groups
May 31, 2018

	Governmental Funds		Fiduciary Fund	Account Groups		
	General	Capital Projects	Trust and Agency	Non-Current Governmental		Total
				Assets	Liabilities	
ASSETS						
Cash						
Unrestricted	\$ 1,687,106	\$ 245,441	\$ 46,285	\$	\$	\$ 1,978,832
Restricted	97,437					97,437
Receivables						
Accounts receivable	19,420					19,420
Due from other funds	1,718,009					1,718,009
Due from state and federal		10,488				10,488
Due from other governments	13,596					13,596
Inventory	71,075					71,075
Prepays	51,636					51,636
Capital assets				28,725,763		28,725,763
Provision to be made in future budgets					8,738,068	8,738,068
Total Assets	\$ 3,658,279	\$ 255,929	\$ 46,285	\$ 28,725,763	\$ 8,738,068	\$ 41,424,324
LIABILITIES						
Payables						
Accounts payable	\$ 66,032	\$ 17,013	\$	\$	\$	\$ 83,045
Due to other funds		1,712,424	5,585			1,718,009
Due to employees' retirement system	16,964					16,964
Other liabilities			40,700			40,700
Collections in advance	115,515					115,515
Bonds payable					7,580,000	7,580,000
Other postemployment benefits payable					1,070,190	1,070,190
Net pension liability - proportionate share					87,878	87,878
Total Liabilities	198,511	1,729,437	46,285	-	8,738,068	10,712,301
FUND BALANCE						
Investment in non-current governmental assets				28,725,763		28,725,763
Nonspendable:						
Inventory	71,075					71,075
Prepays	51,636					51,636
Restricted for:						
Repairs	97,437					97,437
Assigned:						
Appropriated	233,064					233,064
Unappropriated, fire company	3,321					3,321
Unassigned: Fund balance (deficit)	3,003,235	(1,473,508)				1,529,727
Total Fund Balance (Deficit)	3,459,768	(1,473,508)	-	28,725,763	-	30,712,023
Total Liabilities and Fund Balance	\$ 3,658,279	\$ 255,929	\$ 46,285	\$ 28,725,763	\$ 8,738,068	\$ 41,424,324

INCORPORATED VILLAGE OF SALTAIRE
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For The Year Ended May 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
Real property taxes	\$ 2,239,149	\$	\$ 2,239,149
Other tax items	6,569		6,569
Non-property tax items	265,125		265,125
Departmental income	557,519		557,519
Intergovernmental income	30,000		30,000
Use of money and property	100,538		100,538
Licenses and permits	43,320		43,320
Fines and forfeitures	2,600		2,600
Sale of property and compensation for loss	12,980		12,980
Miscellaneous	83,264		83,264
State sources	83,871	134,375	218,246
Federal sources	78,438	199,230	277,668
	<u>3,503,373</u>	<u>333,605</u>	<u>3,836,978</u>
Total Revenues			
	<u>3,503,373</u>	<u>333,605</u>	<u>3,836,978</u>
EXPENDITURES			
General government support	1,045,408		1,045,408
Public safety	387,968		387,968
Health	24,131		24,131
Transportation	135,470		135,470
Culture and recreation	570,712		570,712
Home and community services	218,537		218,537
Employee benefits	430,609		430,609
Debt service			
Principal	680,000		680,000
Interest	220,542		220,542
Capital outlay		572,717	572,717
	<u>3,713,377</u>	<u>572,717</u>	<u>4,286,094</u>
Total Expenditures			
	<u>3,713,377</u>	<u>572,717</u>	<u>4,286,094</u>
Excess (Deficiency) of Revenues Over Expenditures	(210,004)	(239,112)	(449,116)
Fund Balance (Deficit) - Beginning of Year	3,669,772	(1,234,396)	2,435,376
Fund Balance (Deficit) - End of Year	<u>\$ 3,459,768</u>	<u>\$ (1,473,508)</u>	<u>\$ 1,986,260</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2018, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized as expenditures to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements, management's discussion and analysis and, additional required supplementary information. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

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

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

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

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

b) Basis of Presentation

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

i) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

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

ii) Fiduciary Fund Types

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

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

iii) Account Groups

Account groups are used to establish accounting control and accountability for the Village's non-current governmental assets and non-current governmental liabilities. The account groups are not funds. They are concerned only with the measurement of financial position, and not with the results of operations. The Village utilizes the following account groups:

- A. Non-Current Governmental Assets - is used to account for land, construction in progress, buildings, improvements and equipment owned by the Village.
- B. Non-Current Governmental Liabilities - is used to account for all long-term debt and other obligations of the Village including bonds, pension and other postemployment benefit obligations.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

c) Measurement Focus and Basis of Accounting

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

d) Use of Estimates

The preparation of the financial statements in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Real Property Taxes

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

f) Interfund Transactions

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

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

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

g) Cash

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

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

h) Receivables

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

i) Inventory and Prepaid Items

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

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

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

j) Capital Assets

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

No depreciation has been provided on capital assets.

	<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

k) Deferred Outflows of Resources

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

l) Collections in Advance

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

m) Deferred Inflows of Resources

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

n) Short-Term Debt

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

o) Employee Benefits

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

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

p) Postemployment Benefits

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

q) Equity Classifications

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

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

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Trustees may establish a repair reserve fund by a majority vote of its members. Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

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

Unassigned – represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit fund balance resulting from the overspending of available resources.

Fund Balance Classification

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a) Budgets

The Village's budget policies are as follows:

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

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

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and by the appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the current year.

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

b) Over Expenditure of the General Fund Budget

The Village over expended the general fund budget by \$220,681.

c) Capital Projects Fund

The capital projects fund had a deficit fund balance of \$(1,473,508). This will be funded when the Village obtains Federal aid and permanent financing for its current construction projects.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Custodial credit risk is the risk that in the event of a bank failure, the Village 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.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. DUE FROM STATE AND FEDERAL

The Village is owed \$10,488 in disaster assistance from the Federal Emergency Management Agency for storm damages.

5. DUE FROM OTHER GOVERNMENTS

The Village is owed \$13,596 from the Suffolk County Treasurer for mortgage tax.

6. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2018, are as follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,718,009	\$
Capital Projects Fund		1,712,424
Fiduciary Fund		<u>5,585</u>
Total	<u>\$ 1,718,009</u>	<u>\$ 1,718,009</u>

7. PREPAIDS

Prepays at May 31, 2018, consisted of:

General Fund	
Liability insurance	\$ 23,163
Health insurance	12,873
Recreation expenditures	13,100
Property lease	<u>2,500</u>
	<u>\$ 51,636</u>

8. CAPITAL ASSETS

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

	<u>Balance</u> <u>May 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>May 31, 2018</u>
Land	\$ 1,608,064	\$	\$	\$ 1,608,064
Buildings	6,354,212			6,354,212
Improvements other than buildings	1,085,983			1,085,983
Infrastructure	17,902,761	285,674		18,188,435
Construction in progress	62,437	116,072	(62,437)	116,072
Furniture, fixtures and equipment	<u>1,164,765</u>	<u>260,460</u>	<u>(52,228)</u>	<u>1,372,997</u>
Capital assets	<u>\$ 28,178,222</u>	<u>\$ 662,206</u>	<u>\$ (114,665)</u>	<u>\$ 28,725,763</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance May 31, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance May 31, 2018</u>
RAN	10/20/2017	2.00%	<u>\$ 2,250,000</u>	<u>\$</u>	<u>\$ (2,250,000)</u>	<u></u>

Interest on short-term debt for the year was \$45,000.

10. LONG-TERM LIABILITIES

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

	<u>Balance May 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2018</u>
Long-term debt:				
Bonds payable	<u>\$ 8,260,000</u>	<u>\$</u>	<u>\$ (680,000)</u>	<u>\$ 7,580,000</u>

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

Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at May 31, 2018</u>
Serial Bonds	5/15/2010	6/15/2018	2.50 - 3.25%	\$ 270,000
Refunding Serial Bonds	10/14/2014	6/15/2025	2.00 - 3.00%	1,320,000
Serial Bonds	10/20/2016	6/15/2036	2.00 - 2.30%	5,990,000
				<u>\$ 7,580,000</u>

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

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 690,000	\$ 158,692	\$ 848,692
2020	440,000	145,705	585,705
2021	445,000	136,005	581,005
2022	450,000	125,355	575,355
2023	450,000	114,680	564,680
2024 - 2028	1,985,000	421,700	2,406,700
2029 - 2033	1,660,000	242,325	1,902,325
2034 - 2037	<u>1,460,000</u>	<u>65,623</u>	<u>1,525,623</u>
Total	<u>\$ 7,580,000</u>	<u>\$ 1,410,085</u>	<u>\$ 8,990,085</u>

Interest expense on long-term debt was \$175,543 for the year ended May 31, 2018.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

11. PENSION PLANS

New York State and Local Employees' Retirement System

a) Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple employer, defined benefit 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 on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

c) Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years. The Village's average contribution rate was 14.35% of the covered payroll for the ERS' fiscal year ended March 31, 2018.

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

<u>Year</u>	<u>Required Contribution</u>
2018	\$ 127,412
2017	122,759
2016	147,570

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

d) Pension Liabilities and Pension Expense Related to Pensions

At May 31, 2018, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

Measurement date	March 31, 2018
Net pension liability	\$ 87,878
Village's portion of the Plan's total net pension liability	0.0027228%
Change in proportion since the prior measurement date	0.0000039

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:

	<u>ERS</u>
Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Measurement date		March 31, 2018
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.55%
Private equities	10.0%	7.50%
Alternative investments	8.0%	3.25-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	<u>100.0%</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the 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 Asset/(Liability) to the Discount Rate Assumption

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

	<u>1% Decrease (6.00)%</u>	<u>Current Assumption (7.00)%</u>	<u>1% Increase (8.00)%</u>
Village's proportionate share of the net pension asset (liability)	<u>\$ (664,910)</u>	<u>\$ (87,878)</u>	<u>\$ 400,268</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

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

	<i>Dollars in thousands</i>
Measurement date	March 31, 2018
Employers' total pension liability	\$ (183,400,590)
Plan fiduciary net position	<u>180,173,145</u>
Employers' net pension liability	<u><u>\$ (3,227,445)</u></u>
Ratio of plan fiduciary net position to the employers' total pension liability	98.24%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2018, represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 amounted to \$16,918 of employer contributions. Employee contributions are remitted monthly.

12. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

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

B. Funding Policy

The Village assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund as the liabilities for premiums mature (come due for payment). For the year ended May 31, 2018, the Village recognized a general fund expenditure of \$53,211 for insurance premiums for 5 currently enrolled retirees. Currently, there is no provision in the law to permit the Village to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation.

Annual required contribution (ARC)	\$ 203,502
Interest on net OPEB obligation	37,232
Adjustment to ARC	<u>(48,130)</u>
Annual OPEB cost (expense)	192,604
Contributions made	<u>(53,211)</u>
 Increase in net OPEB obligation	 139,393
Net OPEB obligation - beginning of year	<u>930,797</u>
 Net OPEB obligation - end of year	 <u><u>\$ 1,070,190</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended May 31, 2018 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
May 31, 2018	\$ 192,604	27.6%	\$ 1,070,190
May 31, 2017	184,328	28.1%	930,797
May 31, 2016	176,170	24.0%	798,305

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the June 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 9.0% for health, reduced by decrements to an ultimate rate of 5.0% for health after 30 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

13. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2018, which could affect future operating budgets of the Village.

C. Litigation

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

14. 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.

INCORPORATED VILLAGE OF SALTAIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For The Year Ended May 31, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes				
Real property taxes	\$ 2,222,613	\$ 2,222,613	\$ 2,239,149	\$ 16,536
Other Real Property Tax Items				
Interest and penalties	7,500	7,500	6,569	(931)
Non-Property Tax Items				
Utilities gross receipts tax	5,000	5,000	5,278	278
Franchise fees	264,065	264,065	259,847	(4,218)
Total Non-Property Tax Items	269,065	269,065	265,125	(3,940)
Departmental Income				
Clerk fees	5,280	5,280	5,304	24
Safety inspection fees	82,500	82,500	84,925	2,425
Health	4,000	4,000	4,000	-
Park and recreational charges	206,550	206,550	186,230	(20,320)
Special recreational facility charges	60,996	60,996	61,562	566
Library receipts	4,500	4,500	5,316	816
Zoning fees	5,000	5,000	9,109	4,109
Water sales	195,050	195,050	201,073	6,023
Total Departmental Income	563,876	563,876	557,519	(6,357)
Intergovernmental Charges				
Public safety	-	-	30,000	30,000
Use of Money and Property				
Interest and earnings	1,006	1,006	3,805	2,799
Rental of real property	96,944	96,944	96,733	(211)
Total Use of Money and Property	97,950	97,950	100,538	2,588
Licenses and Permits	42,500	42,500	43,320	820
Fines and Forfeitures	1,750	1,750	2,600	850
Sales of Property and Compensation for Loss				
Sale of equipment	35,000	35,000	9,450	(25,550)
Insurance recoveries	-	-	3,530	3,530
Total Sale of Property and Compensation for Loss	35,000	35,000	12,980	(22,020)
Miscellaneous				
Gifts and donations	26,500	26,500	59,598	33,098
Other	3,000	3,000	23,666	20,666
Total Miscellaneous	29,500	29,500	83,264	53,764
State Aid				
Revenue sharing	2,826	2,826	2,826	-
Mortgage tax	49,000	49,000	52,373	3,373
Other general government aid	1,977	1,977	2,877	900
Youth programs	1,100	1,100	1,216	116
Emergency disaster	-	-	24,579	24,579
Total State Aid	54,903	54,903	83,871	28,968
Federal Aid				
Federal disaster assistance	-	-	78,438	78,438
Total Revenues	3,324,657	3,324,657	3,503,373	\$ 178,716
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	168,039	168,039		
Total Revenues	\$ 3,492,696	\$ 3,492,696		

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, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government Support				
Legislative board				
Contractual services	\$ 21,250	\$ 21,250	\$ 26,499	\$ (5,249)
Village justice court				
Personal services	1,250	1,250	1,943	(693)
Contractual services	250	250	345	(95)
Auditor				
Contractual services	31,000	31,000	27,250	3,750
Clerk and staff				
Personal services	320,550	320,550	321,556	(1,006)
Contractual services	46,530	46,530	43,598	2,932
Law				
Contractual services	68,000	68,000	57,518	10,482
Election				
Contractual services	1,200	1,200	1,015	185
Buildings - village hall				
Personal services	166,840	166,840	158,804	8,036
Equipment	8,500	8,500	8,255	245
Contractual services	165,270	165,270	204,005	(38,735)
Unallocated insurance				
Contractual services	116,799	116,799	126,788	(9,989)
Refund of taxes				
Contractual services	68,214	68,214	67,832	382
Total General Government Support	<u>1,015,653</u>	<u>1,015,653</u>	<u>1,045,408</u>	<u>(29,755)</u>
Public Safety				
Police				
Personal services	166,944	166,944	168,938	(1,994)
Equipment	500	500	1,062	(562)
Contractual services	13,794	13,794	21,313	(7,519)
Fire Department				
Personal services	8,428	8,428	6,720	1,708
Equipment	20,200	20,200	108,994	(88,794)
Contractual services	71,150	71,150	80,941	(9,791)
Total Public Safety	<u>281,016</u>	<u>281,016</u>	<u>387,968</u>	<u>(106,952)</u>
Health				
Public health				
Contractual services	28,000	28,000	24,131	3,869
Total Health	<u>28,000</u>	<u>28,000</u>	<u>24,131</u>	<u>3,869</u>
Transportation				
Sidewalks				
Personal services	33,252	33,252	37,093	(3,841)
Equipment	3,500	3,500	3,384	116
Contractual services	8,950	8,950	84,496	(75,546)
Off street parking				
Contractual services	12,418	12,418	10,497	1,921
Total Transportation	<u>58,120</u>	<u>58,120</u>	<u>135,470</u>	<u>(77,350)</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, 2018

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)				
Culture and Recreation				
Playground				
Personal services	\$ 77,040	\$ 77,040	\$ 74,952	\$ 2,088
Equipment	-	-	464	(464)
Contractual services	17,500	17,500	34,182	(16,682)
Special recreation				
Personal services	186,939	186,939	208,775	(21,836)
Equipment	3,500	3,500	518	2,982
Contractual services	34,326	34,326	26,563	7,763
Youth				
Personal services	87,750	87,750	88,347	(597)
Equipment	500	500	219	281
Contractual services	61,500	61,500	100,836	(39,336)
Culture				
Personal services	11,000	11,000	11,720	(720)
Equipment	3,750	3,750	3,042	708
Contractual services	3,500	3,500	3,979	(479)
Other culture and recreation				
Personal services	2,675	2,675	5,825	(3,150)
Equipment	550	550	-	550
Contractual services	12,250	12,250	11,290	960
Total Culture and Recreation	<u>502,780</u>	<u>502,780</u>	<u>570,712</u>	<u>(67,932)</u>
Home and Community Services				
Refuse				
Personal services	28,996	28,996	33,734	(4,738)
Contractual services	92,750	92,750	84,546	8,204
Water transportation and distribution				
Personal services	121,400	121,400	82,688	38,712
Equipment	2,500	2,500	-	2,500
Contractual services	40,350	40,350	17,569	22,781
Total Home and Community Services	<u>285,996</u>	<u>285,996</u>	<u>218,537</u>	<u>67,459</u>
Employee Benefits				
State employee retirement	121,652	121,652	127,412	(5,760)
Social security and Medicare	92,496	92,496	90,756	1,740
Workers compensation	35,000	35,000	34,531	469
Unemployment insurance	8,333	8,333	6,052	2,281
Disability insurance	2,000	2,000	1,328	672
Hospital and medical insurance	171,147	171,147	168,740	2,407
MTA tax	4,124	4,124	1,790	2,334
Total Employee Benefits	<u>434,752</u>	<u>434,752</u>	<u>430,609</u>	<u>4,143</u>
Debt Service				
Principal	680,000	680,000	680,000	-
Interest	206,379	206,379	220,542	(14,163)
Total Debt Service	<u>886,379</u>	<u>886,379</u>	<u>900,542</u>	<u>(14,163)</u>
Total Expenditures	<u>\$ 3,492,696</u>	<u>\$ 3,492,696</u>	<u>3,713,377</u>	<u>\$ (220,681)</u>
Net Changes in Fund Balance			(210,004)	
Fund Balance - Beginning of Year			<u>3,669,772</u>	
Fund Balance - End of Year			<u>\$ 3,459,768</u>	

Note to Other Supplementary Information

Budget Basis of Accounting - Budgets are adopted on the modified accrual basis of accounting

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2018, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 2, 2018. As described more fully in Note 1, the Incorporated Village of Saltaire has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Saltaire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Saltaire in a separate letter dated November 2, 2018.

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

November 2, 2018

