



INCORPORATED VILLAGE OF SALTAIRE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS
May 31, 2021

INCORPORATED VILLAGE OF SALT AIRE
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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 and each major fund of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2021, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Saltaire, as of May 31, 2021, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB statement No. 84, Fiduciary Activities, as of May 31, 2021. Our opinion is not modified with the respect to this matter.

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 40 through 46, 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 November 9, 2021 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 solely 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 9, 2021

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, 2021 in comparison with the year ended May 31, 2020, 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.

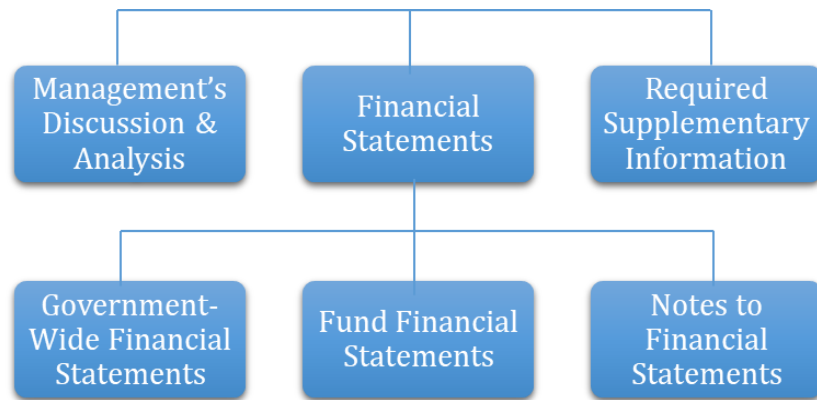
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, increased by \$345,393. 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 \$4,665,444. This was offset by program charges for services, operating grants and capital grants totaling \$1,946,361. General revenues of \$3,064,476 amount to 61.16% 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 \$312,702. 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 \$2,571,104. This represents a decrease of \$296,546 from the prior year.
- The Village's 2021 property tax levy of \$2,379,254 was a 1.38% increase over the 2020 tax levy. The Village's property tax cap was 3.20%.

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)

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. To assess the overall health of the Village, one needs to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's infrastructure, equipment, buildings, and other facilities.

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.

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

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

governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

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.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The May 31, 2020 current and other assets, and current and other liabilities were increased \$10,150 resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*; however, there was no change in the total net position.

The Village's total net position increased by \$345,393 between fiscal year 2021 and 2020. 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:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 2,970,838	\$ 6,308,120	\$ (3,337,282)	(52.90)%
Capital Assets, Net	30,716,209	31,535,683	(819,474)	(2.60)%
Total Assets	33,687,047	37,843,803	(4,156,756)	(10.98)%
Deferred Outflows of Resources	1,371,055	695,958	675,097	97.00 %
Liabilities				
Current and Other Liabilities	492,257	4,657,514	(4,165,257)	(89.43)%
Long-Term Liabilities	7,295,000	7,790,000	(495,000)	(6.35)%
Net Pension Liability - Proportionate Share	3,097	661,255	(658,158)	(99.53)%
Total OPEB Obligation	3,210,195	2,850,033	360,162	12.64 %
Total Liabilities	11,000,549	15,958,802	(4,958,253)	(31.07)%
Deferred Inflows of Resources	1,311,674	180,473	1,131,201	626.80 %
Net Position				
Net Investment in Capital Assets	23,421,209	19,995,683	3,425,526	17.13 %
Restricted	97,624	97,526	98	0.10 %
Unrestricted	(772,954)	2,307,277	(3,080,231)	(133.50)%
Total Net Position	\$ 22,745,879	\$ 22,400,486	\$ 345,393	1.54 %

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

The decrease in current and other assets was primarily the result of decreases in cash and the amounts due from state and federal.

The decrease in capital assets is due to depreciation expense in excess of capital asset additions. 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 decrease in current and other liabilities is primarily in connection with decreases in bond anticipation notes payable and accounts payable.

The decrease in long-term liabilities is the result of 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) liability 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 (deficit) 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 liability. 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 liability.

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, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 564,638	\$ 623,870	\$ (59,232)	(9.49)%
Operating Grants	101,429		101,429	N/A
Capital Grants	1,280,294	2,978,741	(1,698,447)	(57.02)%
General Revenues				
Property Taxes	2,376,415	2,344,044	32,371	1.38 %
State Sources	94,758	75,320	19,438	25.81 %
Other	593,303	610,352	(17,049)	(2.79)%
Total Revenues	<u>5,010,837</u>	<u>6,632,327</u>	<u>(1,621,490)</u>	(24.45)%
Expenses				
General government	1,387,307	1,403,279	(15,972)	(1.14)%
Public safety	438,545	437,265	1,280	0.29 %
Health	95,030	93,421	1,609	1.72 %
Transportation	483,857	61,561	422,296	685.98 %
Culture and recreation	741,881	806,248	(64,367)	(7.98)%
Home and community	347,712	366,719	(19,007)	(5.18)%
Debt Service - Interest	196,201	273,520	(77,319)	(28.27)%
Depreciation - unallocated	974,911	790,820	184,091	23.28 %
Total Expenses	<u>4,665,444</u>	<u>4,232,833</u>	<u>432,611</u>	10.22 %
Change in Net Position	<u>\$ 345,393</u>	<u>\$ 2,399,494</u>	<u>\$ (2,054,101)</u>	(85.61)%

The Village's net position increased by \$345,393 and \$2,399,494 for the years ended May 31, 2021 and 2020, respectively.

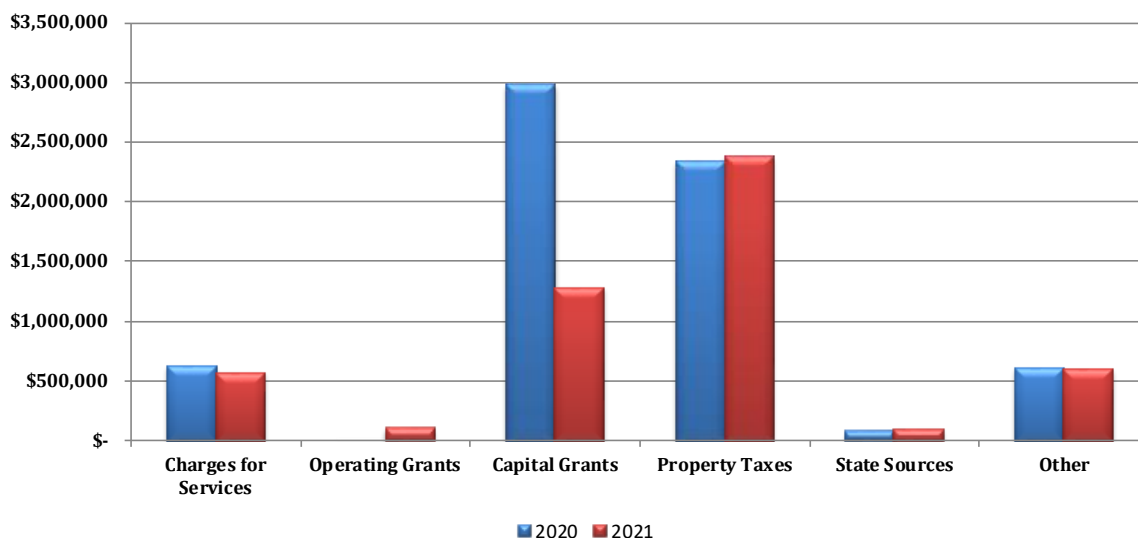
The Village's revenues decreased \$1,621,490 from the prior year. The decrease is mainly attributable to a decrease in capital grants, which is the result of decreased FEMA aid for repair projects.

Expenses increased \$432,611 over the prior year, mainly in the areas of transportation and depreciation – unallocated, offset by decreases in debt service – interest and culture and recreation. Transportation increased due to expenses in the Capital Projects Fund for repairs and the purchase of gabion baskets. Depreciation – unallocated increased due to completed capital projects placed in service in the current year. Debt service – interest decreased mainly due to a reduction in short-term interest associated with outstanding BAN's, related to a reduced interest rate. The decrease in culture and recreation relates to the summer camp, which had to reduce the number of children due to COVID-19 protocols. In addition, the camp did not schedule field trips due to COVID-19.

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

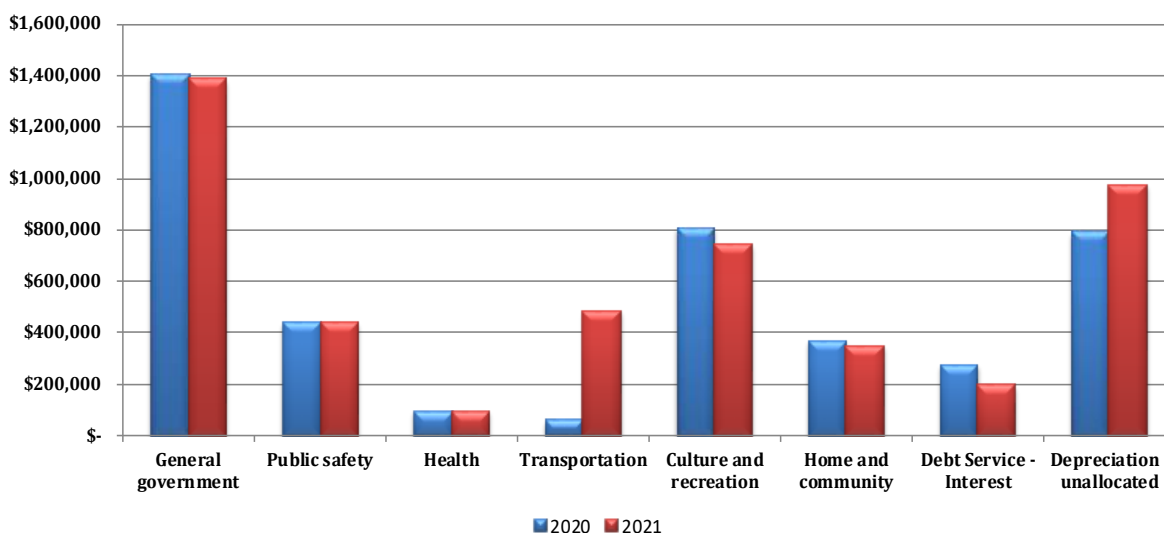
As indicated on the graphs that follow, property taxes is the largest component of revenues recognized for the 2021 year (i.e., 47.40% and 35.30% of total for the years 2021 and 2020, respectively) and General government expenses is the largest category of expenses incurred (i.e., 29.70% and 33.20% of the total for the years 2021 and 2020, respectively).

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



	Charges for Services	Operating Grants	Capital Grants	Property Taxes	State Sources	Other
2020	9.4%	0.0%	44.9%	35.3%	1.1%	9.3%
2021	11.3%	2.0%	25.6%	47.4%	1.9%	11.8%

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
2020	33.2%	10.2%	2.2%	1.5%	19.0%	8.7%	6.5%	18.7%
2021	29.7%	9.4%	2.0%	10.4%	15.9%	7.5%	4.2%	20.9%

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

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2021, the Village's governmental funds reported a combined fund balance of \$1,667,792, which is a decrease of \$80,077 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>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General Fund				
Nonspendable				
Inventory	\$ 22,706	\$ 17,620	\$ 5,086	28.86 %
Prepays	2,970	114,773	(111,803)	(97.41)%
Restricted: Repairs	97,624	97,526	98	0.10 %
Assigned:				
Appropriated fund balance	2,107	22,704	(20,597)	(90.72)%
Unappropriated fund balance	3,321	3,321	-	0.00 %
Unassigned: Fund balance	2,682,164	2,867,650	(185,486)	(6.47)%
	<u>2,810,892</u>	<u>3,123,594</u>	<u>(312,702)</u>	<u>(10.01)%</u>
Capital Projects Fund				
Unassigned: Fund balance (deficit)	<u>(1,143,100)</u>	<u>(1,375,725)</u>	<u>232,625</u>	<u>16.91 %</u>
 Total Fund Balance	 <u>\$ 1,667,792</u>	 <u>\$ 1,747,869</u>	 <u>\$ (80,077)</u>	 <u>(4.58)%</u>

A. General Fund

The net change on the general fund-fund balance is a decrease of \$312,702 compared to a decrease of \$84,439 in 2020. Expenditures and other financing uses of \$4,060,874 exceeded revenues of \$3,748,172. Revenues increased by \$112,303 over fiscal 2020 totals. The increase is primarily attributable to an increase in federal aid for a firefighters grant from FEMA. Expenditures and other uses increased by \$340,566. This was due to increases in public safety, employee benefits, and transfers out, offset by decreases in debt service interest and culture and recreation. Public safety increased due to additional purchases of equipment in accordance with a grant from FEMA. Employee benefits increased due to additional employees included in health insurance and rate increases for the year. In the current year, the Village transferred money to the capital projects fund, which did not occur in the prior year. Debt service – interest decreased mainly due to a reduction in short-term interest associated with outstanding BAN's, related to a reduced interest rate. Culture and recreation decreased due to a reduction in the number of children who could attend summer camp.

B. Capital Projects Fund

The capital projects fund-fund balance deficit decreased by \$232,625, as compared to the prior year. This is due to revenues and other financing sources of \$653,942 exceeding expenditures of \$421,317.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The Village's general fund adopted budget for the year ended May 31, 2021 was \$3,665,311.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$2,379,254 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	\$ 2,867,650
Revenues Over Budget	105,545
Expenditures Over Budget	(395,543)
Net Change in Nonspendable Fund Balance	106,717
Allocation to Reserves	(98)
Appropriated for the 2022 Budget	<u>(2,107)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 2,682,164</u></u>

Opening, Unassigned Fund Balance

The \$2,867,650 shown in the table is the portion of the Village's May 31, 2020 fund balance that was retained as unassigned.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$3,642,627. Actual revenues recognized for the year were \$3,748,172. The excess of actual revenues over estimated or budgeted revenues was \$105,545, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

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

Expenditures Over Budget

The 2020-2021 final budget for expenditures was \$3,665,331. Actual expenditures as of May 31, 2021 were \$4,060,874. The final budget was over expended by \$395,543. This over expenditure contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. 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, 2021. 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 \$2,107 of the available May 31, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the May 31, 2021 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, 2021 was \$2,571,104.

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

A. Capital Assets

At May 31, 2021, the Village had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$974,911 in excess of capital additions of \$155,437 recorded for the year ended May 31, 2021. A summary of the Village's capital assets, net of accumulated depreciation at May 31, 2021 and 2020 is as follows:

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

	2021	2020	Increase (Decrease)
Land	\$ 1,608,064	\$ 1,608,064	\$ -
Construction in Progress		682,108	(682,108)
Buildings	7,146,256	7,359,705	(213,449)
Improvements Other Than Buildings	386,174	457,314	(71,140)
Machinery and Equipment	454,343	363,400	90,943
Infrastructure	21,121,372	21,065,092	56,280
	<u>\$ 30,716,209</u>	<u>\$ 31,535,683</u>	<u>\$ (819,474)</u>
Capital assets, net			

B. Debt Administration

At May 31, 2021, the Village had total bonds payable of \$7,295,000. The decrease in outstanding debt represents current year principal payments. A summary of the outstanding debt at May 31, 2021 and 2020 is as follows:

	Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Bonds Payable					
	10/14/2014	2.00 - 3.00%	\$ 820,000	\$ 990,000	\$ (170,000)
	10/20/2016	2.00 - 2.30%	5,185,000	5,460,000	(275,000)
	2/19/2019	3.00 - 3.30%	1,290,000	1,340,000	(50,000)
			<u>\$ 7,295,000</u>	<u>\$ 7,790,000</u>	<u>\$ (495,000)</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, 2021 are approximately 25.05% of the Village's debt limit.

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 liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at May 31, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Net pension liability - proportionate share	\$ 3,097	\$ 661,255	\$ (658,158)
Total OPEB liability	3,210,195	2,850,033	360,162
	<u>\$ 3,213,292</u>	<u>\$ 3,511,288</u>	<u>\$ (297,996)</u>

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

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 April 13, 2021, for the year ending May 31, 2022, is \$3,654,146. This is a decrease of \$11,185 or 0.31% from the previous year's budget.

The Village budgeted non-property tax revenues and appropriated fund balance at a \$94,191 decrease from the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$2,107 is a \$20,597 decrease from the previous year. A property tax increase of 3.49% (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, as well as the continuing effect of the COVID-19 pandemic, will 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 4.25%. The Village's 2021-2022 property tax increase of 3.48% 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, New York 11706

INCORPORATED VILLAGE OF SALTAIRE**Statement of Net Position**

May 31, 2021

ASSETS

Cash	
Unrestricted	\$ 1,336,191
Restricted	97,624
Receivables	
Due from state and federal	1,373,183
Due from other governments	27,104
Prepays	22,706
Inventory	114,030
Capital assets:	
Not being depreciated	1,608,064
Being depreciated, net of accumulated depreciation	<u>29,108,145</u>
 Total Assets	 <u>33,687,047</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	738,366
Other postemployment benefits	<u>632,689</u>
 Total Deferred Outflows of Resources	 <u>1,371,055</u>

LIABILITIES

Payables	
Accounts payable	115,893
Accrued liabilities	77,979
Due to employees' retirement system	26,648
Other liabilities	10,150
Unearned credits: collections in advance	261,587
Long-term liabilities	
Due and payable within one year	
Bonds payable	505,000
Due and payable after one year	
Bonds payable	6,790,000
Net pension liability - proportionate share	3,097
Total other postemployment benefits liability	<u>3,210,195</u>
 Total Liabilities	 <u>11,000,549</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	906,770
Other postemployment benefits	<u>404,904</u>
 Total Deferred Inflows of Resources	 <u>1,311,674</u>

NET POSITION

Net investment in capital assets	23,421,209
Restricted: Repairs	97,624
Unrestricted (deficit)	<u>(772,954)</u>
 Total Net Position	 <u>\$ 22,745,879</u>

INCORPORATED VILLAGE OF SALTAIRE

Statement of Activities

For the Year Ended May 31, 2021

		Program Revenue:	Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Capital	Revenue and
		Services	Grants	Grants	Changes in
					Net Position
FUNCTIONS/PROGRAMS					
General government	\$ 1,387,307	\$ 4,063	\$	\$	\$ (1,383,244)
Public safety	438,545	132,000	101,429		(205,116)
Health	95,030	20,000			(75,030)
Transportation	483,857			1,280,294	796,437
Culture and recreation	741,881	149,202			(592,679)
Home and community	347,712	259,373			(88,339)
Debt service - interest	196,201				(196,201)
Depreciation - unallocated	974,911				(974,911)
Total Functions and Programs	<u>\$ 4,665,444</u>	<u>\$ 564,638</u>	<u>\$ 101,429</u>	<u>\$ 1,280,294</u>	<u>(2,719,083)</u>
GENERAL REVENUES					
Real property taxes					2,376,415
Other tax items					8,274
Nonproperty taxes					343,203
Use of money and property					107,777
Licenses and permits					48,340
Sale of property and compensation for loss					59,564
Miscellaneous					26,145
State aid					94,758
Total General Revenues					<u>3,064,476</u>
Change in Net Position					345,393
Total Net Position - Beginning of Year					<u>22,400,486</u>
Total Net Position - End of Year					<u>\$ 22,745,879</u>

INCORPORATED VILLAGE OF SALTAIRE

Balance Sheet - Governmental Funds

May 31, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash			
Unrestricted	\$ 1,072,407	\$ 263,784	\$ 1,336,191
Restricted	97,624		97,624
Receivables			
Due from other funds	1,889,383		1,889,383
Due from state and federal		1,373,183	1,373,183
Due from other governments	27,104		27,104
Prepays	22,706		22,706
Inventory	114,030		114,030
	<u>\$ 3,223,254</u>	<u>\$ 1,636,967</u>	<u>\$ 4,860,221</u>
Total Assets			
LIABILITIES			
Payables			
Accounts payable	\$ 113,977	\$ 1,916	\$ 115,893
Due to other funds		1,889,383	1,889,383
Due to employees' retirement system	26,648		26,648
Other liabilities	10,150		10,150
Unearned credits: collections in advance	261,587		261,587
	<u>412,362</u>	<u>1,891,299</u>	<u>2,303,661</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues		<u>888,768</u>	<u>888,768</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepays	22,706		22,706
Inventory	2,970		2,970
Restricted: Repairs	97,624		97,624
Assigned:			
Appropriated fund balance	2,107		2,107
Designated for Fire Company	3,321		3,321
Unassigned: Fund balance (deficit)	2,682,164	(1,143,100)	1,539,064
	<u>2,810,892</u>	<u>(1,143,100)</u>	<u>1,667,792</u>
Total Fund Balances (Deficit)			
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,223,254</u>	<u>\$ 1,636,967</u>	<u>\$ 4,860,221</u>

INCORPORATED VILLAGE OF SALTAIRE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2021

Total Governmental Fund Balances	\$ 1,667,792
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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 Village as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 38,451,645	
Less: Accumulated depreciation	<u>(7,735,436)</u>	
		30,716,209

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

Deferred outflows of resources	738,366	
Net pension liability - employees' retirement system	(3,097)	
Deferred inflows of resources	<u>(906,770)</u>	
		(171,501)

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

Deferred outflows of resources	632,689	
Total other postemployment benefits liability	(3,210,195)	
Deferred inflows of resources	<u>(404,904)</u>	
		(2,982,410)

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.	888,768
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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	(77,979)	
Bonds payable	<u>(7,295,000)</u>	
		<u>(7,372,979)</u>

Total Net Position	<u>\$ 22,745,879</u>
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INCORPORATED VILLAGE OF SALTAIRE
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2021

	General	Capital Projects	Total Governmental Funds
REVENUES			
Real property taxes	\$ 2,376,415	\$	\$ 2,376,415
Real property tax items	8,274		8,274
Non-property taxes	343,203		343,203
Departmental income	534,638		534,638
Intergovernmental income	30,000		30,000
Use of money and property	107,777		107,777
Licenses and permits	48,340		48,340
Sale of property and compensation for loss	59,564		59,564
Miscellaneous	43,774	71	43,845
State aid	94,758		94,758
Federal aid	101,429	391,526	492,955
	<u>3,748,172</u>	<u>391,597</u>	<u>4,139,769</u>
Total Revenues			
	<u>3,748,172</u>	<u>391,597</u>	<u>4,139,769</u>
EXPENDITURES			
General government	1,124,479		1,124,479
Public safety	478,006		478,006
Health	86,960		86,960
Transportation	47,909	421,317	469,226
Culture and recreation	533,014		533,014
Home and community	277,841		277,841
Employee benefits	522,135		522,135
Debt service			
Principal	495,000		495,000
Interest	233,185		233,185
	<u>3,798,529</u>	<u>421,317</u>	<u>4,219,846</u>
Total Expenditures			
	<u>3,798,529</u>	<u>421,317</u>	<u>4,219,846</u>
Deficiency of Revenues Over Expenditures	<u>(50,357)</u>	<u>(29,720)</u>	<u>(80,077)</u>
OTHER FINANCING SOURCES AND (USES)			
Proceeds from debt		-	-
Operating transfers in		262,345	262,345
Operating transfers (out)	(262,345)		(262,345)
	<u>(262,345)</u>	<u>262,345</u>	<u>-</u>
Total Other Financing Sources and (Uses)			
	<u>(262,345)</u>	<u>262,345</u>	<u>-</u>
Net Change in Fund Balances	(312,702)	232,625	(80,077)
Fund Balances (Deficit) - Beginning of Year	<u>3,123,594</u>	<u>(1,375,725)</u>	<u>1,747,869</u>
End of Year	<u>\$ 2,810,892</u>	<u>\$ (1,143,100)</u>	<u>\$ 1,667,792</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, 2021

Net Change in Fund Balances	\$	(80,077)
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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).		871,068
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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, depreciation exceeded capital outlays and other additions in the period.

Capital outlays and other additions	\$ 155,437		
Depreciation expense	(974,911)		
			(819,474)

Long-Term Debt Transactions Differences

Proceeds from the issuance of bonds are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		-
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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	495,000		
Repayment of bond anticipation note	-		

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, 2020 to May 31, 2021.

	36,984		531,984
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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	36,444		
Other postemployment benefits	(194,552)		
			(158,108)

Change in Net Position of Governmental Activities	\$	345,393
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INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS

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. 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)

Fund Financial Statements

The fund financial statements provide information about the Village's funds. Separate statements for each fund type 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.

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 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 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 funds 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

INCORPORATED VILLAGE OF SALT AIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, claims and judgements, 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 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 1st, 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, eliminations have been made for all interfund receivables and payables between the funds.

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 the change 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.

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).

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The third item is related to OPEB and represents the change 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.

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.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as an amount designated for the Fire Company.

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.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended May 31, 2021, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. The statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency activities previously reported within the fiduciary funds are now reported within the governmental funds. The restatement had no effect on net position or fund balance.

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.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 health insurance 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.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. No supplemental appropriations occurred during the year.

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.

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 \$395,543.

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$1,143,100. This will be funded when the Village obtains permanent financing, grants, and additional general fund appropriations 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:

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Total investments of the cooperative at May 31, 2021 are \$3,851,064,828, which consisted of \$291,226,773 in repurchase agreements, \$2,455,094,706 in U.S. Treasury Securities and \$1,104,743,349 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 612,878
Capital Projects	179,615
	<u>\$ 792,493</u>

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.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at May 31, 2021 consisted of:

Capital Projects Fund	
New York State - Division of Homeland Security and Emergency Services	\$ 888,768
Federal Emergency Management Agency	484,415
	<u>\$ 1,373,183</u>

Village management expects these amounts to be fully collectible.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM OTHER GOVERNMENTS

The Village is owed \$27,104 in mortgage tax from Suffolk County at May 31, 2021. Village management expects this amount to be fully collectible.

8. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2021 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,889,383	\$	\$	\$ 262,345
Capital Projects Fund		1,889,383	262,345	
Total	<u>\$ 1,889,383</u>	<u>\$ 1,889,383</u>	<u>\$ 262,345</u>	<u>\$ 262,345</u>

9. CAPITAL ASSETS

Capital asset balances and activity, for the Village, for the year ended May 31, 2021 were as follows:

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,608,064	\$	\$	\$ 1,608,064
Construction in progress	682,108		(682,108)	-
Total capital assets not being depreciated	<u>2,290,172</u>	<u>-</u>	<u>(682,108)</u>	<u>1,608,064</u>
Capital assets being depreciated:				
Buildings	8,959,194			8,959,194
Improvements Other Than Buildings	1,085,983			1,085,983
Machinery and Equipment	1,564,792	155,437		1,720,229
Infrastructure	24,396,067	682,108		25,078,175
Total capital assets being depreciated	<u>36,006,036</u>	<u>837,545</u>	<u>-</u>	<u>36,843,581</u>
Less accumulated depreciation for:				
Buildings	1,599,489	213,449		1,812,938
Improvements Other Than Buildings	628,669	71,140		699,809
Machinery and Equipment	1,201,392	64,494		1,265,886
Infrastructure	3,330,975	625,828		3,956,803
Total accumulated depreciation	<u>6,760,525</u>	<u>974,911</u>	<u>-</u>	<u>7,735,436</u>
Total capital assets, being depreciated, net	<u>29,245,511</u>	<u>(137,366)</u>	<u>-</u>	<u>29,108,145</u>
Capital assets, net	<u>\$ 31,535,683</u>	<u>\$ (137,366)</u>	<u>\$ (682,108)</u>	<u>\$ 30,716,209</u>

The total depreciation expense recorded in the government-wide statements is \$974,911.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. SHORT-TERM DEBT

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

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

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

Interest paid	\$ 56,250
Less interest accrued in the prior year	<u>(31,438)</u>
Total interest expense on short-term debt	<u>\$ 24,812</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:

	<u>Balance May 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2021</u>	<u>Amounts Due Within One Year</u>
Long-term debt:					
Bonds payable	<u>\$ 7,790,000</u>	<u>\$</u>	<u>\$ (495,000)</u>	<u>\$ 7,295,000</u>	<u>\$ 505,000</u>

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

B. 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, 2021</u>
Refunding Serial Bonds	10/14/2014	6/15/2025	2.00 - 3.00%	\$ 820,000
Serial Bonds	10/20/2016	6/15/2036	2.00 - 2.30%	5,185,000
Serial Bonds	2/19/2019	12/15/2039	3.00 - 3.30%	<u>1,290,000</u>
				<u>\$ 7,295,000</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

<u>Fiscal Year Ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	520,000	115,185	635,185
2027 -2031	1,925,000	442,075	2,367,075
2032 -2036	2,165,000	219,470	2,384,470
2037 -2040	650,000	22,403	672,403
Total	<u>\$ 7,295,000</u>	<u>\$ 1,384,223</u>	<u>\$ 8,679,223</u>

C. Interest Expense

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

Interest paid	\$ 176,935
Less interest accrued in the prior year	(83,525)
Plus interest accrued in the current year	<u>77,979</u>
Total interest expense on long-term debt	<u>\$ 171,389</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 or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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. The Village's average contribution rate was 13.43% of covered payroll for fiscal year ended March 31, 2021.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2021 was \$145,816 at an average contribution rate of 12.27%.

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

At May 31, 2021, 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, 2021. 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, 2021
Village's proportionate share of the net pension liability	\$ (3,097)
Village's portion of the Plan's total net pension liability	0.0031105%
Change in proportion since the prior measurement date	0.0006134

For the year ended May 31, 2021, the Village recognized pension expense of \$108,866. At May 31, 2021, 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	\$ 37,826	\$
Changes of assumptions	569,484	10,741
Net difference between projected and actual earnings on pension plan investments		889,712
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	104,408	6,317
Village contributions subsequent to the measurement date	26,648	
Total	<u>\$ 738,366</u>	<u>\$ 906,770</u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2022. 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>	
2022	\$ (20,805)
2023	6,613
2024	(25,817)
2025	<u>(155,043)</u>
	<u>\$ (195,052)</u>

Actuarial Assumptions

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

Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Inflation	2.70%
Salary increases	4.40%
Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of living adjustments	1.40%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020.

The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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:

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2021
Asset type		
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Real estate	9.0%	4.95%
Private equities	10.0%	6.75%
Alternatives investments	10.0%	3.63-5.95%
Bonds and mortgages	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 5.90% (the discount rate used at the prior year's measurement date of March 31, 2020 was 6.80%). 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 5.90%, 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 (4.90%) or 1 percentage point higher (6.90%) than the current rate:

ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	\$ (859,676)	\$ (3,097)	\$ 786,869

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:

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>(Dollars in Thousands)</u>
Measurement date	March 31, 2021
Employers' total pension liability	\$ (220,680,157)
Plan fiduciary net position	<u>220,580,583</u>
Employers' net pension liability	<u><u>\$ (99,574)</u></u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.95%

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, 2021, represent the projected employer contribution for the period of April 1, 2021 through May 31, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2021 amounted to \$26,648 of employer contributions. Employee contributions are remitted monthly.

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, 2021 totaled \$52,705.

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, 2021, 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	<u>10</u>
	<u><u>15</u></u>

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The Village's total OPEB liability of \$3,210,195 was measured as of May 31, 2021, and was determined by an actuarial valuation as of June 1, 2020.

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	1.59%
Healthcare cost trend rates	6.00% for 2021, decreasing to an ultimate rate of 4.50% by 2036
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

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

Mortality rates were based on PubG.H-2010 Mortality Table – General with Mortality Improvement using Scale MP-2020.

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, 2020	<u>\$ 2,850,033</u>
Changes for the year	
Service cost	118,920
Interest	74,426
Changes of benefit terms	-
Differences between expected and actual experience	(298,096)
Changes in assumptions or other inputs	505,242
Benefit payments	(40,330)
Other changes	-
	<u>360,162</u>
Balance at May 31, 2021	<u><u>\$ 3,210,195</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.63% in 2020 to 1.59% in 2021.

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 (0.59%) or 1 percentage point higher (2.59%) than the current discount rate:

OPEB	1% Decrease 0.59%	Discount Rate 1.59%	1% Increase 2.59%
Total OPEB liability	\$ (3,792,307)	\$ (3,210,195)	\$ (2,751,961)

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 (5.00%) or 1 percentage point higher (7.00%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.00% decreasing to 3.50%	Discount Rate 6.00% decreasing to 4.50%	1% Increase 7.00% decreasing to 5.50%
Total OPEB liability	\$ (2,695,324)	\$ (3,210,195)	\$ (3,882,255)

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

For the year ended May 31, 2021, the Village recognized OPEB expense of \$234,883. At May 31, 2021, the Village reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 272,332
Changes of assumptions or other inputs	632,689	132,572
Total	\$ 632,689	\$ 404,904

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

INCORPORATED VILLAGE OF SALTAIRE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ending May 31,	Amount
2022	\$ 41,537
2023	41,537
2024	41,537
2025	56,321
2026	32,059
2027	14,794
	<hr/>
	\$ 227,785

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 \$2,107 has been appropriated to reduce taxes for the year ending May 31, 2022.

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.

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, 2021, 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.

INCORPORATED VILLAGE OF SALTAIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real Property Taxes	\$ 2,379,254	\$ 2,379,254	\$ 2,376,415	\$ (2,839)
Real Property Tax Items				
Interest & penalties on real property taxes	7,500	7,500	8,274	774
Non-Property Taxes				
Utilities gross receipts tax	5,000	5,000	7,529	2,529
Franchises	300,199	300,199	335,674	35,475
Total Non-Property Taxes	305,199	305,199	343,203	38,004
Departmental Income				
Zoning fees	7,500	7,500	9,452	1,952
Safety inspection fees	65,500	65,500	102,000	36,500
Clerk fees	4,550	4,550	4,063	(487)
Park & recreational charges	209,100	209,100	80,609	(128,491)
Special recreational facility charges	63,750	63,750	66,883	3,133
Library receipts	4,750	4,750	1,710	(3,040)
Health	20,000	20,000	20,000	-
Water sales	247,350	247,350	249,921	2,571
Total Departmental Income	622,500	622,500	534,638	(87,862)
Intergovernmental Charges				
Public Safety	30,000	30,000	30,000	-
Use of Money and Property				
Interest & earnings	57,011	57,011	3,017	(53,994)
Rental of real property	104,760	104,760	104,760	-
Total Use of Money and Property	161,771	161,771	107,777	(53,994)
Licenses and Permits	45,000	45,000	48,340	3,340
Fines and Forfeited Bail	2,000	2,000	-	(2,000)
Sale of Property & Compensation for Loss				
Insurance recoveries	-	-	40,369	40,369
Sales of equipment	10,000	10,000	19,195	9,195
Total Sale of Property & Compensation for Loss	10,000	10,000	59,564	49,564
Miscellaneous				
Other miscellaneous	3,000	3,000	20,774	17,774
Gifts & donations	21,500	21,500	23,000	1,500
Total Miscellaneous	24,500	24,500	43,774	19,274

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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
State Aid				
Revenue sharing	\$ 2,826	\$ -	\$ 2,726	\$ 2,726
Mortgage tax	49,000	49,000	86,723	37,723
Other general governmental aid	1,977	4,803	2,877	(1,926)
Youth programs	1,100	1,100	2,432	1,332
Total State Aid	54,903	54,903	94,758	39,855
Federal Sources				
Emergency aid	-	-	101,429	101,429
Total Revenues	3,642,627	3,642,627	3,748,172	\$ 105,545
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	22,704	22,704		
Total Revenues and Appropriated Fund Balance	\$ 3,665,331	\$ 3,665,331		

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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES				
General Government Support				
Legislative Board				
Contractual	\$ 5,050	\$ 5,050	\$ 3,394	\$ 1,656
Village Justice Court				
Personal services	4,000	4,000	805	3,195
Contractual	250	250	65	185
Auditor				
Contractual	32,000	32,000	31,927	73
Clerk and Staff				
Personal services	399,000	399,000	405,239	(6,239)
Equipment	1,750	1,750	3,582	(1,832)
Contractual	54,725	54,725	55,021	(296)
Law				
Contractual	72,250	72,250	53,504	18,746
Election				
Contractual	1,200	1,200	1,733	(533)
Buildings - Village Hall				
Personal services	172,820	172,820	195,611	(22,791)
Equipment	22,500	22,500	13,639	8,861
Contractual	166,840	166,840	187,099	(20,259)
Unallocated Insurance				
Contractual services	118,090	118,090	109,265	8,825
Refund of taxes				
Contractual services	68,952	68,952	61,065	7,887
MTA Taxes				
Contractual services	5,001	5,001	2,530	2,471
Total General Government Support	1,124,428	1,124,428	1,124,479	(51)
Public Safety				
Police				
Personal services	203,360	203,360	207,545	(4,185)
Equipment	500	500	798	(298)
Contractual	15,436	15,436	17,853	(2,417)
Fire Department				
Personal services	14,730	14,730	15,163	(433)
Equipment	52,250	52,250	170,184	(117,934)
Contractual	58,000	58,000	66,463	(8,463)
Total Public Safety	344,276	344,276	478,006	(133,730)
Health				
Public Health				
Personal services	7,500	7,500	17,562	(10,062)
Contractual	19,250	19,250	69,398	(50,148)
Total Health	26,750	26,750	86,960	(60,210)
Transportation				
Sidewalks				
Personal services	30,456	30,456	31,841	(1,385)
Equipment	3,500	3,500	-	3,500
Contractual	28,700	28,700	4,671	24,029
Off-Street Parking				
Contractual	13,418	13,418	11,397	2,021
Total Transportation	76,074	76,074	47,909	28,165

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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES				
Culture & Recreation				
Playground				
Personal services	\$ 70,173	\$ 70,173	\$ 72,999	\$ (2,826)
Contractual	5,500	5,500	16,065	(10,565)
Special Recreation				
Personal services	223,770	223,770	244,417	(20,647)
Equipment	1,500	1,500	1,220	280
Contractual	34,700	34,700	31,113	3,587
Youth				
Personal services	164,395	164,395	119,118	45,277
Equipment	1,500	1,500	-	1,500
Contractual	61,650	61,650	19,622	42,028
Culture				
Personal services	13,500	13,500	12,838	662
Equipment	3,500	3,500	415	3,085
Contractual	5,750	5,750	6,533	(783)
Other Culture And Recreation				
Personal services	4,750	4,750	5,168	(418)
Equipment	825	825	1,050	(225)
Contractual	7,250	7,250	2,456	4,794
Total Culture & Recreation	598,763	598,763	533,014	65,749
Home & Community				
Refuse				
Personal services	32,739	32,739	36,666	(3,927)
Contractual	97,500	97,500	104,226	(6,726)
Water transportation and distribution				
Personal services	129,753	129,753	115,389	14,364
Equipment	7,500	7,500	5,620	1,880
Contractual	26,250	26,250	15,940	10,310
Total Home & Community	293,742	293,742	277,841	15,901
Employee Benefits				
State employee retirement	125,844	125,844	145,816	(19,972)
Social security & Medicare	112,159	112,159	109,534	2,625
Workers' compensation	35,190	35,190	32,539	2,651
Disability insurance	4,200	4,200	6,187	(1,987)
Unemployment insurance	3,704	3,704	6,204	(2,500)
Hospital & medical insurance	209,716	209,716	221,855	(12,139)
Total Employee Benefits	490,813	490,813	522,135	(31,322)
Debt Service				
Principal	495,000	495,000	495,000	-
Interest	215,485	215,485	233,185	(17,700)
Total Debt Service	710,485	710,485	728,185	(17,700)
Total Expenditures	3,665,331	3,665,331	3,798,529	(133,198)
OTHER FINANCING USES				
Operating transfers out	-	-	262,345	(262,345)
Total Expenditures	\$ 3,665,331	\$ 3,665,331	4,060,874	\$ (395,543)
Net Change in Fund Balance			(312,702)	
Fund Balance - Beginning of Year			3,123,594	
Fund Balance - End of Year			\$ 2,810,892	

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 Four Fiscal Years

Employees' Retirement System

	2021	2020	2019	2018
Village's proportion of the net pension liability	0.0031105%	0.0024971%	0.0024332%	0.0027228%
Village's proportionate share of the net pension liability	\$ 3,097	\$ 661,255	\$ 172,400	\$ 87,878
Village's covered payroll	\$ 1,249,160	\$ 1,039,285	\$ 911,247	\$ 909,804
Village's proportionate share of the net pension liability as a percentage of its covered payroll	0.25 %	63.63 %	18.92 %	9.66 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%
Discount rate	5.90%	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 Three Fiscal Years

Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 145,816	\$ 126,136	\$ 129,239
Contributions in relation to the contractually required contribution	<u>145,816</u>	<u>126,136</u>	<u>129,239</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's covered payroll	\$ 1,188,604	\$ 1,144,965	\$ 917,996
Contributions as a percentage of covered payroll	12.00%	11.00%	14.00%

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 Changes in the Village's Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	2021	2020	2019
Total OPEB liability			
Service cost	\$ 118,920	\$ 107,888	\$ 91,903
Interest	74,426	75,964	83,705
Changes in benefit terms	-	-	(50,760)
Differences between expected and actual experience	(298,096)	-	(39,434)
Changes of assumptions or other inputs	505,242	197,828	(60,586)
Benefit payments	(40,330)	(44,805)	(42,070)
Other changes	-	118	(50,533)
Net change in total OPEB liability	360,162	336,993	(67,775)
Total OPEB liability, beginning	2,850,033	2,513,040	2,580,815
Total OPEB liability, ending	<u>\$ 3,210,195</u>	<u>\$ 2,850,033</u>	<u>\$ 2,513,040</u>
Covered employee payroll	\$ 804,250	\$ 649,500	\$ 649,500
Total OPEB liability as a percentage of covered employee payroll	399.15%	438.80%	386.92%
Discount rate	1.59%	3.05%	3.05%
Healthcare trend rates	6.00% to 4.50% by 2036	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



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(1950 – 2013)

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**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 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 and each major fund of the Incorporated Village of Saltaire (Village), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 9, 2021.

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 9, 2021.

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 9, 2021

