



FINANCIAL STATEMENTS

Year Ended May 31, 2017

Incorporated Village of Sag Harbor
COUNTY OF SUFFOLK – STATE OF NEW YORK
Year Ended May 31, 2017

Table of Contents

	<u>Page</u>
Management’s Discussion and Analysis (Unaudited)	1-7
Independent Auditors’ Report	8-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Governmental Funds Balance Sheets.....	12
Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position	13
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance.....	14
Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	15
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position.....	17
Notes to Financial Statements	18-41
Other Information:	
Combining Balance Sheet – Capital Projects Fund	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund.....	43
Required Supplementary Information Other Than Management’s Discussion and Analysis:	
Budgetary Comparison Schedule (Unaudited)	44–46
Schedule of Funding Progress for the Other Post Employment Benefits (Unaudited)..	47
Schedule of the Village’s Proportionate Share of the Net Pension Liability/(Asset) (Unaudited).....	48
Schedule of Village’s Contributions - ERS (Unaudited).....	49
Schedule of Village’s Contributions - PFRS (Unaudited).....	50

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

As management of the Incorporated Village of Sag Harbor (the “Village”), we offer readers of the Village’s financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended May 31, 2017.

FINANCIAL HIGHLIGHTS

As reflected in the government wide financial statements, the assets and deferred outflows of the Village exceeded its liabilities and deferred inflows at May 31, 2017 fiscal year by \$1,134,970 (net position), of which (\$10,314,646) is an unrestricted net deficit that will be funded by future years’ resources as they become available.

As reflected in the fund financial statements as of the close of the current fiscal year, the Village’s government funds reported an ending fund balance of \$6,635,187. Of this amount, \$102,087 is nonspendable, \$4,533,117 is restricted, \$424,323 is assigned, and \$1,575,660 is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village’s basic financial statements. The Village’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Village’s finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village’s assets and deferred outflows, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village’s net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The governmental activities of the Village include general government, police, fire and ambulance protection, justice court, building department, roads and highways, beach, parks and recreation, marina and docks, and sewage treatment.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same function and programs reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

Because the focus of governmental funds is narrower than that of the 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, readers may better understand the long-term effect of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Sewer Fund, Capital Fund, and Special Revenue Fund.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Village’s own programs.

The fiduciary fund financial statements can be found on page 16 and 17 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the date provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-41 of this report.

Combining Schedules facilitate comparison and present information at the individual fund level that demonstrates how they are combined to accumulate totals used in the fund financial statements. The Combining Schedules may be found on pages 42 and 43 of this report.

Budgetary Statements are required by the general statutes and can be found in this part of the financial report. The Village adopts an annual appropriated budget for its General Fund and Sewer Fund. Budgetary comparison schedules have been provided for the General and Sewer Funds to demonstrate compliance with these budgets on pages 43 through 46.

Required Supplemental Information includes certain required information concerning the Village’s participation in various employee benefit programs. Required supplementary information can be found beginning on page 47 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Incorporated Village of Sag Harbor’s assets and deferred outflows, exceeded liabilities and deferred inflows by \$1,134,970 at the close of the most recent fiscal year.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

VILLAGE'S NET POSITION

	Governmental Activities		
	2017	2016	Change
Assets:			
Current and other assets	\$ 7,596,430	\$ 7,694,229	\$ (97,799)
Capital assets	9,521,086	9,247,932	273,154
Total assets	17,117,516	16,942,161	175,355
Deferred outflows of resources	1,325,258	2,362,410	(1,037,152)
Total assets and deferred outflows of resources	<u>\$ 18,442,774</u>	<u>\$ 19,304,571</u>	<u>\$ (861,797)</u>
Liabilities:			
Current liabilities	\$ 1,121,992	\$ 1,165,382	\$ (43,390)
Non-current liabilities	15,812,718	16,021,826	(209,108)
Total liabilities	16,934,710	17,187,208	(252,498)
Deferred inflows of resources	373,094	404,622	(31,528)
Total liabilities and deferred inflows of resources	<u>17,307,804</u>	<u>17,591,830</u>	<u>(284,026)</u>
Net position:			
Net investment in capital assets	7,266,499	7,542,932	(276,433)
Restricted	4,183,117	4,717,197	(534,080)
Unrestricted	(10,314,646)	(10,547,388)	232,742
Total net position	<u>\$ 1,134,970</u>	<u>\$ 1,712,741</u>	<u>\$ (577,771)</u>

Currently, the largest portion of the Village’s net position of \$7,266,499 reflects its net investment in capital assets e.g. land, buildings, improvements and machinery and equipment. Capital assets are used to provide services to citizens; consequently these assets are not available for future spending. Although the Village’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The net investment in capital assets decreased over the prior year by \$276,433 primarily as a result of ordinary depreciation mostly offset by purchases of capital assets and pay down of related debt.

An additional amount of the Village’s net position \$4,183,117, represents resources that are subject to external restrictions, or enabling legislations on how they may be used. The remaining portion is an unrestricted deficit of \$10,314,646, which will be funded by future revenues

Non-current liabilities decreased from \$16,021,826 as of May 31, 2016 to \$15,812,718 or a decrease of \$209,108. This decrease was primarily the result of a lower net pension liability and pay down of long term debt, offset by increases in other post-employment benefits and compensated absences.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

Decreases in deferred outflows of resources and deferred inflows of resources were a result of changes in assumptions associated with the implementation of GASB 68 and GASB 71.

The net unrestricted deficit decreased over the prior year by \$232,742 from \$10,547,388 at May 31, 2016 to a deficit of \$10,314,646 at May 31, 2017. This represents a change of less than 2%. The unrestricted net position deficit means the Village must meet its ongoing obligations to citizens and creditors from future revenue. Factors which contributed to the Village’s net loss are discussed below.

VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		
	2017	2016	Change
Revenues:			
Program Revenues:			
Fees, fines and charges for services	\$ 3,226,166	\$ 3,217,396	\$ 8,770
Operating grants and contributions	160,207	129,292	30,915
Capital grants and contributions	143,833	183,539	(39,706)
General Revenues:			
Property taxes	6,102,177	5,711,759	390,418
Non-property tax items	104,653	93,692	10,961
State aid	260,448	230,013	30,435
Use of money and property	92,166	80,093	12,073
Other	92,888	109,512	(16,624)
Total revenues	10,182,538	9,755,296	427,242
Program Expenses:			
General government support	2,464,444	2,340,863	123,581
Public safety and judiciary	5,344,420	5,481,995	(137,575)
Health	511,849	485,655	26,194
Transportation and public works	1,212,740	1,186,594	26,146
Culture and recreation	423,672	469,591	(45,919)
Home and community services	743,379	809,305	(65,926)
Interest on debt	59,805	37,048	22,757
Total expenses	10,760,309	10,811,051	(50,742)
Change in net position	(577,771)	(1,055,755)	477,984
Net position - beginning	1,712,741	2,768,496	(1,055,755)
Net position - ending	\$ 1,134,970	\$ 1,712,741	\$ (577,771)

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

Revenue Categories:

Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including sewage treatment services, fees for recreational and community events, marina and boating privileges. Revenue contributed by external governments that are restricted to supporting these types of programs are also classified as program grants.

General Revenues – include revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the village. This includes miscellaneous funds that may be generated during the course of the year such as sales on excess vehicles, or insurance property loss claims received, interest earned on low yielding bank accounts and rental properties that owned by the Village.

Expense Categories:

General – includes expenditures which relate to the overall support of the government.

Public Safety – includes fire protection and safety inspection.

Health – includes ambulance service.

Transportation and Public Works – includes street construction and maintenance, snow removal and related services.

Culture and Recreation – includes the marina, docks, parks and recreational related expenditures.

Home and Community Services – includes garbage, recycling programs and sanitary service.

The Village’s revenues increased by \$427,242. The most significant variance was an increase in property taxes of \$390,418.

The Village’s expenses decreased by \$50,742 over the prior year. This represents a decrease of less than 1%.

FINANCIAL ANALYSIS OF THE VILLAGE’S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Village’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the year.

At the end of the current fiscal year, the Village’s governmental funds reported an ending fund balance of \$6,635,187, a decrease of \$211,162 in comparison to the prior year. Of this total amount \$1,575,660 constitutes unassigned fund balance, which is available for spending at the government’s discretion.

General Fund -The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the General fund was \$1,442,081, while total fund balance reached \$4,484,502. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15% of total fund expenditures, while total fund balance represents 50% of that total fund expenditures.

The fund balance of the Village’s General Fund increased during the current fiscal year by \$201,956 to \$4,484,502.

Sewer Fund -The Sewer Fund captures the operations of sewage treatment services. The ending unassigned fund balance was \$133,579 and the total fund balance was \$191,468. The total net change was an increase over the prior year of \$16,904, which was primarily due to revenues exceeding expenditures.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

Capital Projects Fund - The fund balance in the Capital Projects Fund decreased during the current fiscal year by \$561,614 from a total fund balance of \$1,908,865 to an ending fund balance of \$1,347,251. The significant driver behind this was the purchase of a new fire department vehicle.

Special Revenue Fund - The fund balance increased during the current fiscal year by \$131,592 to \$611,966 due to interest income earnings on bank balances and a donation of \$131,025 for a propose waterfront park.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund - The Village’s general fund adopted budget for the year ended May 31, 2017 was \$9,235,756. This amount was increased by \$346,101 for various projects and contract settlements and \$67,141 for encumbrances carried forward from the prior year for a total budget of \$9,648,998.

The budget was funded through a combination of revenues and transfers. The major funding sources were real property taxes of \$6,034,168, intergovernmental charges of \$1,064,575, and departmental income of \$1,007,000.

Actual revenues and other financing sources were \$9,223,773 compared to the amended revenue budget of \$9,264,071 with a negative variance to budget of \$40,298. The unfavorable variance was primarily due to overall increases in most areas, offset by decreases in state aid and real estate taxes. The decrease in real estate taxes is due to the Village deferring the amount of unpaid taxes at year end that were assumed by the Village at a tax sale. This revenue will be recognized in the fiscal year when payment is received on unpaid taxes.

Actual expenditures (including other financing sources and uses) and encumbrances for the year were \$9,021,817 and \$342,745, respectively, and were \$284,436 less than the amended budget. This variance is primarily the result of budgetary savings in public safety and health.

Sewer Fund - The Village’s sewer fund adopted budget for the year ended May 31, 2017 was \$648,267. This was increased by \$5,630 for the prior year encumbrances. Revenues came in as budgeted. Expenditures and encumbrances of \$607,535 and \$10,772, respectively, were less than the amended budget by \$29,960. This was primarily due to employee benefits and overall expenses in running the plant being less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Village’s investment in capital assets for its governmental type activities as May 31, 2017, amount to \$9,521,086 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, machinery and equipment, and infrastructural assets.

For the year ended May 31 ,	<u>2017</u>	<u>2016</u>
Land	\$ 409,354	\$ 409,354
Buildings and improvements	3,498,974	2,583,334
Infrastructure	3,515,731	4,793,508
Machinery and equipment	668,343	557,802
Vehicles	<u>1,428,684</u>	<u>903,934</u>
Total	<u>\$ 9,521,086</u>	<u>\$ 9,247,932</u>

Additional information on the Village’s capital assets is shown in Note 6 on page 29 of this report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
MAY 31, 2017**

DEBT ADMINISTRATION

The Village borrows money in order to acquire land or equipment or construct buildings and improvements or infrastructure. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The Village pledges its full faith and credit for the payment of principal and interest. .

For the year ended May 31 ,	<u>2017</u>	<u>2016</u>
General obligation bonds payable	\$ 1,480,000	\$ 1,705,000
Installment purchase debt	<u>910,537</u>	<u>910,537</u>
Total	<u>\$ 2,390,537</u>	<u>\$ 2,615,537</u>

Additional information on the Village’s outstanding debt is shown in the Note 7 on pages 30 – 31 of this report. As mentioned previously, the Village issued installment purchase debt during the current fiscal year for the purchase of two new fire vehicles, which are expected to be delivered in the next fiscal year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Property Tax - The 2018 combined budget appropriations are \$11,024,853, which is an approximately 12% increase over the current year’s budget. Many costs for the Village have continued to rise, including health insurance, general liability/compensation insurances, charges from other governments and other personnel costs. While the expense side of the budget increased by 12%, the Village was able to stay within the permitted tax cap. An increase in assessed values and the use of fund balance allowed the tax rate to remain the same as last year. The forecasted amount of revenues other than property taxes has also increased; however, the Village remains conservative in those forecasts. Those increases result in minimizing the impact of potential tax increases.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village’s finances and to show the Village’s accountability for the money it receives. If you have questions about this report or need additional information, please contact the Village Clerk-Administrator or the Village Treasurer at the Village of Sag Harbor, PO Box 660, Sag Harbor, NY 11963.



SATTY, LEVINE & CIACCO, CPAS, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees of the
Incorporated Village of Sag Harbor:

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 Sag Harbor, New York (the "Village"), as of and for the year ended May 31, 2017 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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. 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 auditors' 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 entity'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 internal control. Accordingly, we express no such opinion. An audit 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 Sag Harbor, New York, as of May 31, 2017 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.T. to the financial statements, the beginning fund balance was restated to correct an error involving the omission of a prior year accrual for pension costs in previously issued financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7, budgetary comparison information on pages 43 through 45, the schedule of funding progress for other postemployment benefits on page 46, the Village's proportionate share of the net pension liability/(asset) on page 47, and the Village's contributions on pages 48 through 49, be presented to supplement the basic financial statements. Such information, although are not 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Sag Harbor, New York's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Satty, Levine & Ciacco CPAs PC

SATTY, LEVINE, & CIACCO, CPAs, P.C.

Jericho, New York

February 7, 2018

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENT OF NET POSITION
MAY 31, 2017**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,255,633
Receivables:	
Tax sale certificates	212,487
Accounts receivable	80,976
Due from other governments	115,640
Due from fiduciary fund	297,610
Prepays	102,087
Restricted assets:	
Cash and cash equivalents	4,531,997
TOTAL CURRENT ASSETS	<u>7,596,430</u>
NON-CURRENT ASSETS:	
Land	409,354
Other capital assets, net of depreciation	9,111,732
TOTAL NON-CURRENT ASSETS	<u>9,521,086</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions	1,313,691
Deferred charges net of related amortization	11,567
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,325,258</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 18,442,774</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 557,333
Bond interest payable	6,066
Due to other governments	23,518
Due to retirement systems	108,195
Unearned revenues	1,727
Unearned bond premiums	11,220
Current portion of compensated absences	57,983
Current portion of installment purchase debt	135,950
Current portion of general obligation bonds payable	220,000
TOTAL CURRENT LIABILITIES	<u>1,121,992</u>
NON-CURRENT LIABILITIES:	
General obligation bonds payable	1,260,000
Installment purchase debt	774,587
Net pension liability - proportionate share	1,573,770
Compensated absences	645,246
Post-employment benefits other than pensions	11,559,115
TOTAL NON-CURRENT LIABILITIES	<u>15,812,718</u>
TOTAL LIABILITIES	<u>16,934,710</u>
DEFERRED INFLOWS OF RESOURCES:	
Pensions	373,094
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>373,094</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>17,307,804</u>
NET POSITION:	
Net investment in capital assets	7,266,499
Restricted	4,183,117
Unrestricted	(10,314,646)
TOTAL NET POSITION	<u>1,134,970</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 18,442,774</u>

See independent auditors' report and notes to the financial statements

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2017**

FUNCTIONS/PROGRAMS:	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
General government support	2,464,444	\$ 4,898	\$ -	\$ -	\$ (2,459,546)
Public safety and judiciary	5,344,420	1,341,176	160,207	8,469	(3,834,568)
Health	511,849	402,365	-	-	(109,484)
Transportation and public works	1,212,740	-	-	4,339	(1,208,401)
Culture and recreation	423,672	858,077	-	131,025	565,430
Home and community services	743,379	619,650	-	-	(123,729)
Interest on debt	59,805	-	-	-	(59,805)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,760,309	\$ 3,226,166	\$ 160,207	\$ 143,833	(7,230,103)

GENERAL REVENUES:

Real property taxes	\$ 6,102,177
Non-property tax items	104,653
Unrestricted investment earnings	6,010
Use of property	86,156
Refund of prior year expenses	12,448
State aid	260,448
Miscellaneous	52,757
Gain on the disposal of fixed assets	27,683
TOTAL GENERAL REVENUES	6,652,332
CHANGE IN NET POSITION	(577,771)
NET POSITION - BEGINNING	1,712,741
NET POSITION - ENDING	\$ 1,134,970

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BALANCE SHEETS
GOVERNMENTAL FUNDS
MAY 31, 2017**

	<u>GENERAL</u>	<u>SEWER</u>	<u>CAPITAL PROJECTS</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
ASSETS:					
Cash and cash equivalents	\$ 2,040,877	\$ 214,756	\$ -	\$ -	\$ 2,255,633
Tax sale certificates	212,487	-	-	-	212,487
Accounts receivable	62,765	18,211	-	-	80,976
Due from other governments	115,640	-	-	-	115,640
Due from other funds	-	-	1,120	-	1,120
Due from fiduciary funds	297,610	-	-	-	297,610
Prepaid expenses	102,087	-	-	-	102,087
Restricted cash	2,552,589	21,311	1,346,131	611,966	4,531,997
TOTAL ASSETS	\$ 5,384,055	\$ 254,278	\$ 1,347,251	\$ 611,966	\$ 7,597,550
LIABILITIES:					
Accounts payable and accrued expenses	\$ 501,581	\$ 55,752	\$ -	\$ -	\$ 557,333
Due to other governments	23,518	-	-	-	23,518
Due to retirement systems	101,137	7,058	-	-	108,195
Due to other funds	1,120	-	-	-	1,120
Compensated absences	57,983	-	-	-	57,983
TOTAL LIABILITIES	685,339	62,810	-	-	748,149
DEFERRED INFLOWS OR RESOURCES:					
Tax sale certificates	214,214	-	-	-	214,214
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	899,553	62,810	-	-	962,363
FUND BALANCES:					
Fund balance - nonspendable	102,087	-	-	-	102,087
Fund balance - restricted:					
Employee Benefit Reserve	623,935	21,311	-	-	645,246
Major Equipment Reserve	350,000	-	-	-	350,000
Vehicle Insurance Reserve	55,334	-	-	-	55,334
Capital Reserves	1,523,320	-	1,347,251	-	2,870,571
Parks Trust	-	-	-	260,230	260,230
Parking Trust	-	-	-	351,736	351,736
Fund balance - assigned:					
Encumbrances	342,745	10,772	-	-	353,517
Ensuing year's budget	45,000	25,806	-	-	70,806
Fund balance - unassigned	1,442,081	133,579	-	-	1,575,660
Total Fund Balances	4,484,502	191,468	1,347,251	611,966	6,635,187
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 5,384,055	\$ 254,278	\$ 1,347,251	\$ 611,966	\$ 7,597,550

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
STATEMENT OF NET POSITION
MAY 31, 2017**

TOTAL GOVERNMENTAL FUND BALANCE \$ 6,635,187

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT FROM THE GOVERNMENTAL FUNDS BECAUSE:

Bond premiums resulting from the issuance of debt are deferred over the life of the obligation on the state of net position, rather than recognized as revenue in period they occurred. (11,220)

Deferred charges resulting from the excess of amounts paid over the principal amounts of debt defeased are reported as a deferred charge, net of the related amortization on the statement of net position 11,567

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 9,521,086

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (6,066)

Property taxes receivable that will be collected in the future, but are not available within 60 days of year end, are deferred in the governmental funds. 212,487

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

Deferred outflows of resources 1,313,691
Deferred inflows of resources (373,094)
Net pension liability - proportionate share (1,573,770)

Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet:

General obligation bonds payable (1,480,000)
Installment purchase debt (910,537)
Post-employment benefits other than pensions (11,559,115)
Compensated absences (645,246)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,134,970

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2017**

	GENERAL	SEWER	CAPITAL PROJECTS	SPECIAL REVENUE	TOTAL
REVENUES:					
Real property taxes	\$ 5,820,070	\$ -	\$ -	\$ -	\$ 5,820,070
Interest and penalties on taxes	67,364	2,256	-	-	69,620
Utilities gross receipts tax	84,715	-	-	-	84,715
Departmental income	1,152,164	601,845	12,660	-	1,766,669
Intergovernmental charges	1,064,618	-	-	-	1,064,618
Interest, rents and commissions	90,292	400	906	567	92,165
Licenses and permits	18,336	-	-	-	18,336
Fines and forfeitures	375,506	-	-	-	375,506
Sale of property and recoveries	36,814	-	46,500	-	83,314
Refund of prior years expense	12,448	-	-	-	12,448
Miscellaneous local sources	16,983	-	-	131,025	148,008
State aid	277,490	-	-	-	277,490
Federal aid	17,701	-	-	-	17,701
County sales tax	138,272	19,938	-	-	158,210
TOTAL REVENUES	9,172,773	624,439	60,066	131,592	9,988,870
EXPENDITURES:					
General Government	1,904,136	-	-	-	1,904,136
Public Safety	2,864,539	-	756,022	-	3,620,561
Health	368,937	-	-	-	368,937
Transportation	654,325	-	-	-	654,325
Culture and Recreation	298,995	-	-	-	298,995
Home and Community Services	118,384	451,521	-	-	569,905
Employee Benefits	2,407,375	90,630	-	-	2,498,005
Debt service:					
Principal	212,400	12,600	-	-	225,000
Interest	58,384	1,784	-	-	60,168
TOTAL EXPENDITURES	8,887,475	556,535	756,022	-	10,200,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	285,298	67,904	(695,956)	131,592	(211,162)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	51,000	-	134,342	-	185,342
Operating transfers out	(134,342)	(51,000)	-	-	(185,342)
TOTAL OTHER FINANCING (USES) SOURCES	(83,342)	(51,000)	134,342	-	-
NET CHANGE IN FUND BALANCE	201,956	16,904	(561,614)	131,592	(211,162)
FUND BALANCE - BEGINNING (Restated)	4,282,546	174,564	1,908,865	480,374	6,846,349
FUND BALANCE - ENDING	\$ 4,484,502	\$ 191,468	\$ 1,347,251	\$ 611,966	\$ 6,635,187

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2017**

NET CHANGE IN FUND BALANCES- TOTAL GOVERNMENTAL FUNDS \$ (211,162)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF
ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 1,142,152

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure. (850,181)

The net effect of certain transactions involving capital assets related to sales, trade-ins and disposals is to decrease net position. (18,817)

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 225,000

Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. The change in the liability is recognized. 714

On the government-wide statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits. (967,330)

The amortization of bond premium in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities. 11,219

Deferred charges are amortized in the in the government wide financial statements over the life of the bond. Governmental funds recorded the charges as expenditures in the year received. Deferred charges from May 31, 2016 to May 31, 2017 changed by: (11,570)

Governmental funds report revenues not collected within 60 days of year end as deferred inflows until subsequently collected. These transactions are recorded as revenues when earned in the statement of activities 212,487

Changes in the Village's proportionate share of pension liabilities, and changes to the Village's deferred outflows and inflows related to pensions have no effect on current financial resources and therefore are not reported in the governmental funds:

Deferred outflows of resources	(1,140,058)
Deferred inflows of resources	31,528
Net pension liability - proportionate share	794,190

Expenditures related to compensated absences are shown in the governmental funds when the payments are due. In the Statement of Activities, the costs are reported during the period the liabilities are incurred, regardless of when they are due and payable. This amount represents the difference between the expenditures recorded in the current year for payments due on prior year liabilities and the expenses incurred during the current year that have not been paid. 204,057

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (577,771)

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENTS OF FIDUCIARY NET POSITION
MAY 31, 2017**

	<u>AGENCY FUNDS</u>	<u>AMBULANCE LOSAP</u>	<u>FIRE DEPARTMENT LOSAP</u>
ASSETS:			
Cash	\$ 377,980	\$ 426	\$ 132,048
Service award program assets	-	310,454	2,948,549
TOTAL ASSETS	<u>\$ 377,980</u>	<u>\$ 310,880</u>	<u>\$ 3,080,597</u>
LIABILITIES:			
Agency fund liabilities	\$ 80,370	\$ -	\$ -
Due to general fund	297,610	-	-
TOTAL LIABILITIES	<u>\$ 377,980</u>	<u>-</u>	<u>-</u>
NET POSITION:			
Held in trust for retiree benefits		<u>\$ 310,880</u>	<u>\$ 3,080,597</u>

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED MAY 31, 2017**

	AMBULANCE LOSAP	FIRE DEPARTMENT LOSAP
ADDITIONS:		
Employer contributions	\$ 15,000	\$ 265,406
Investment earnings	15,014	99,499
TOTAL ADDITIONS	30,014	364,905
DEDUCTIONS:		
Benefits paid to participants and beneficiaries	-	250,067
Administrative expense	3,051	3,406
TOTAL DEDUCTIONS	3,051	253,473
CHANGES IN NET POSITION	26,963	111,432
NET POSITION HELD IN TRUST FOR RETIREE BENEFITS		
NET POSITION - BEGINNING	283,917	2,969,165
NET POSITION - ENDING	\$ 310,880	\$ 3,080,597

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies

A. Organization

The Incorporated Village of Sag Harbor (the “Village”) was incorporated in 1924. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, police, fire and ambulance protection, justice court, building department, roads and highways, beach, parks and recreation, marina and docks, and sewage treatment.

The financial statements of the Village were prepared in accordance with generally accepting accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing governmental accounting and financial reporting principals for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village are discussed below.

B. Financial Reporting Entity

The Incorporated Village of Sag Harbor is governed by the Village Law and other General Laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

All government activities and function/programs performed for the Incorporated Village of Sag Harbor are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting consists of (a) the primary government which is the Village (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusions would cause the reporting entity’s financial statements to be misleading or incomplete as set forth in GASB Statement 14 as amended by GASB statement No. 61.

C. Basis of Presentation

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transaction are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the Statement of Activities, compared with the current financial resource measurement focus of the governmental funds.

Government-wide Financial Statements

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. The effect of interfund activity within the governmental column has been removed from these statements.

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net position is reported in three components-net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

See independent auditors’ report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

1. General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Capital fund is used to account for financial resources to be used for the acquisition or construction of major capital assets.
3. Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
4. Sewer Fund is used to account for the operations of the sewage treatment plant.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income and financial position. All assets and liabilities are included on the Statement of Fiduciary Net Position. These activities are not included in the government-wide financial statements because their resources are not available to be used. The Village has presented the following Fiduciary Funds:

1. Agency Funds account for assets held by the Village in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Agency Funds consist of deposits held by the Village.
2. Length of Service Awards Program (LOSAP) – The Fire Department and Ambulance LOSAP activity are accounted for in this fund.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

See independent auditors’ report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are not recognized as expenditures until due.
- c. Compensated absences such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid, or become due and payable.

E. Budgetary Data

Budgets are adopted annually. All budget amounts provided in this report have been modified where necessary. The Village's procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a. On or before March 31st, the budget officer prepares estimates for each administrative unit.
- b. No later than March 31st, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1st. This tentative budget includes proposed expenditures and the means of financing for all funds.
- c. A public hearing is conducted by the Board of Trustees to obtain comments.
- d. No later than May 1st, the Board of Trustees adopts the budget of the Incorporated Village of Sag Harbor.

All modifications of the budget must be approved by the Board of Trustees. (However, the Treasurer is authorized to transfer certain budget amounts within departments.)

F. Cash, Cash Equivalents and Investments

The Village primarily maintains its cash and investments in individual segregated accounts grouped by fund. All investments with an original maturity of three months or less when purchased are considered cash equivalents. Cash on deposits with financial institutions is collateralized in accordance with state's statutes.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

H. Interfund Transactions

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

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

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

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, payables, expenditures and revenues activity is provided subsequently in these Notes.

I. Receivables

Receivables include amounts due from State and other governments and individuals for services provided by the Village. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

J. Prepaid Items

Prepaid items in the fund and government-wide statements represent expenses paid that will benefit the subsequent period.

K. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets purchased or acquired with an original cost of \$500 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost if the actual historical cost is not available. Contributed assets are reported at a fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Infrastructure assets for governmental activities after December 31, 1980, consisting of certain improvements other than buildings, including roads, curbs, sidewalks, drainage system, street lighting and sewer system are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-99 years
Improvements	20 years
Infrastructure	25 – 50 years
Machinery and Equipment	5 – 20 years
Vehicles	8 – 10 years

The Village evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. As of, May 31, 2017, the Village has not recorded any such impairment losses.

L. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (fund balance) that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. As of May 31, 2017, the Village reported a deferred charge on refunding, and deferred outflows from pension transactions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows from pension transactions represents the difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and the Village's contributions to the pension system subsequent to the measurement date.

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (fund balance) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports one item which qualifies for reporting in this category that is related to pension transactions. The pension item represents changes in proportion and differences between employer contributions and proportionate share of contributions.

M. Unearned Revenues

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Village before it has legal claim to them, as when contractual or rental fees are received in advance. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the liability for unearned revenue is removed and revenues are recorded.

N. Compensated Absences

Compensated absences of the Village consists of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Village and the employee.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at May 31 by all employees.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. Village employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. The accumulation of these benefits which is not due and payable in the current year is calculated based on the current employee policies of the Village, as well as executed union contracts. The accumulated obligation is funded by the Village and is reflected as a restricted reserve balance in the general fund.

O. Other Benefits

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

In addition to providing pension benefits, the Village provides post-employment health insurance coverage for retired employees. The Village accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting. The cost of providing these benefits is recorded as an expenditure in the governmental funds in the year paid.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

P. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term liabilities are liquidated through future budgetary appropriations of the general fund.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position.

Q. Insurance

The Village insures against the liability for most risk including, but not limited to, property damage and personal injury liability. Judgment and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

R. 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 acquisition, construction or improvement of those assets.

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

Unrestricted net position – reports all other net position that do not meet the definition of “restricted” or “net investment in capital assets”, and are deemed to be available for general use by the Village.

Governmental Fund Statements

In the Fund Statements, governmental fund equity is classified as fund balance and may consist of five classifications under GASB 54. The Village only utilizes the following three:

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. Restricted fund balances, including reserves in accordance with New York State law, are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are established through Board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

Restricted reserves currently in use by the Village include the following:

Employee Benefit Reserve – this reserve is the accumulation of funds which are restricted to the cash outlay to satisfy employee benefits which have been incurred under existing labor contracts and human resource policies adopted by the Village. This reserve is established pursuant to General Municipal Law Section 6-p.

Capital Reserve – the capital reserve is reserved and accumulated for capital improvements, or equipment, which repairs are of a type not recurring annually or at shorter intervals. This reserve is established pursuant to General Municipal Law Section 6-d.

Capital Projects – this reserve represents funds accumulated for the betterment, construction or acquisition of assets for the benefit of the community. Funds are restricted to its intended use by the grantor.

Parkland Trust – the reserve for parkland trust reports funds which are restricted by Village Law Section 7-730 for capital expenditures related to parks, playgrounds, and recreational designated areas.

Parking Trust – the reserve for parking trust reports funds which are restricted for capital expenditures related to parking facilities throughout the Village.

Vehicle Insurance Reserve – this reserve is reserved for future payouts, claims or contingencies that may be incurred against the Village. This reserve was established pursuant to General Municipal Law Section 6-n.

Assigned – Consists of amount 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 includes an amount appropriate to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted at the end of the year.

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

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

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

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

S. Newly Adopted Accounting Principles

Effective June 1, 2016, the Village implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining fair value measurement for financial reporting purposes, guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. The provisions of this Statement had no effect on the financial statements.

Effective June 1, 2016, the Village implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement had no effect on the financial statements.

Effective June 1, 2016, the Village implemented GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to require disclosures regarding tax abatement information regarding a government's own agreements or those entered into by other governments which reduce the reporting government's tax revenues. The provisions of this Statement had no effect on the financial statements.

Effective June 1, 2016, the Village implemented GASB Statement No. 78, *Pensions Provided Through Certain Multiple Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of GASB No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement had no effect on the financial statements.

Effective June 16, 2015, the Village implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement permits certain external investment pools to use amortized cost to measure pool investments. The provisions of this Statement had no effect on the financial statements.

T. Prior Period Adjustments

During the year ended May 31, 2017, an adjustment was made to restore a prior year accrual for pension costs in the amount of \$114,476 that was omitted in the financial statements for the year ended May 31, 2016.

The prior period adjustment is shown as a decrease of \$109,837 to the beginning general fund balance and a decrease of \$4,639 to the beginning sewer fund balance on the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 2. Budget Basis of Accounting

The Village Administrator prepares a proposed budget for approval by the Board of Trustees for the General Fund, the only fund with a legally adopted budget. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. 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 in the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). 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. During the year, the Board approved net additional appropriations of \$346,101 for the general fund. The budgets were also increased for encumbrances from the prior year of \$67,141 for the general fund and \$5,806 for the sewer fund.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual Capital Project Fund expenditures as approved by the Board. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Note 3. Real Property Taxes

Village real property taxes are levied annually no later than May 15th, and become a lien on the first day of the levy year. Taxes are collected during the period June 1st to July 1st without penalty or interest. Thereafter penalty and interest are imposed pursuant to the Real Property Tax Law.

After the return of tax warrant and certification to the Board of Trustees of the uncollected tax items, an annual sale of the tax liens is held pursuant to the provisions of the Real Property Tax Law.

Note 4. Cash and Investments

Deposits

Custodial credit risk for deposits exist when, in the event of the failure of a depository financial institution, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Village investment policies are governed by state statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit at 100% of all deposits not covered by federal deposit 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 and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 100% of the cost of the repurchasing agreement.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 4. Cash and Investments (continued)

The Village participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The pool is authorized to invest in various securities issued by the United States and its agencies. The Village’s share of investments at May 31, 2017 was \$8,111. This amount represents the cost of the investment pool shares and is considered to approximate market value. These investments are not subject to risk categorization and are not subject to fair market measurement disclosures as they meet the criteria for an external investment pool.

Total investments of the cooperative as of June 30, 2017 were \$489,674,002, which consisted of \$166,914,400 in repurchase agreements and \$322,759,602 in U.S. Government Treasury Securities. The New York Cooperative Liquid Asset Securities System (NYCLASS) is rated AAAM by Standard and Poor’s Rating Agency. Additional information concerning NYCLASS is presented in the annual report of 2017, available at:

https://www.newyorkclass.org/uploads/NYCLASS%202017%20Annual%20Report_FINAL.pdf

Cash and investments at May 31, 2017 consisted of:

Checking - interest bearing	\$	1,226,527
Checking - non-interest bearing		325,131
Money market - interest bearing		5,350,849
CLASS accounts - interest bearing		8,111
Total balances	\$	<u>6,910,618</u>
Amount FDIC insured	\$	1,063,118
Collateral held by Village's custodial banks		<u>5,847,500</u>
TOTAL	\$	<u>6,910,618</u>

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- Uncollateralized,
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Village’s name.

Collateral is required for that portion of deposits not covered by Federal Deposit Insurance Corporation or security in the form of a letter of credit (LOC) from the Federal Home Loan Bank (FHLB) is required. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

At May 31, 2017 the cash in banks were entirely collateralized by the FDIC insurance, FHLB/LOC or securities held by the bank, in trust or third party, in the name of the Village.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 4. Cash and Investments (continued)

Investments

The Village currently holds the following Fire Service Award Program investment and Ambulance Service Award Program investment in the trust and agency fund:

Investment contract with insurance company: Valued at contract value by the insurance company, which represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expense. Since participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value, contract value is assumed to approximate fair value.

Note 5. Interfund Receivables, Payables and Transfers

Interfund receivables and payables - At May 31, 2017, the statements of the Village include a net of balances due to/from other funds in the amount of \$297,610 as detailed below. Receivables in the general fund represent year end expenditures that have not yet been reimbursed, and are short term in nature.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Fund	\$ 297,610
Capital Fund	General Fund	1,120
Total - Fund Financial Statements		<u>298,730</u>
Less: Fund eliminations		<u>(1,120)</u>
Total Net Interfund Balances - Government-Wide Statement of Net Position		<u>\$ 297,610</u>

The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund balances are expected to be repaid in one year.

Interfund transfers – A schedule of interfund transfers for the year ended May 31, 2017, are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 51,000
Capital Fund	General Fund	134,342
Total - Fund Financial Statements		<u>\$ 185,342</u>

The Sewer Fund makes an annual transfer each year in accordance with the adopted budget to help fund the Village's annual operations. The transfers to the Capital fund were excess funds in the General fund for emergency services resulting from outlying districts' contributions toward the overall cost of those services. These transferred funds are placed in reserve to help offset future costs of equipment used for emergency services.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 6. Changes in Capital Assets

Capital asset transactions for the year ended May 31, 2017 was as follows:

	Beginning Balance	Addition / Transfers	Retirements / Transfers	Ending Balance
Governmental activities				
Non Depreciable Capital Assets				
Land	\$ 409,354	\$ -	\$ -	\$ 409,354
Total Non Depreciable Capital Assets	409,354	-	-	409,354
Depreciable Capital Assets				
Buildings	6,201,536	39,275	-	6,240,811
Land improvements	1,570,263	-	-	1,570,263
Infrastructure	9,177,882	94,311	-	9,272,193
Machinery and equipment	2,499,965	234,748	(31,863)	2,702,850
Vehicles	4,629,219	773,818	(273,878)	5,129,159
Total Depreciable Capital Assets	24,078,865	1,142,152	(305,741)	24,915,276
Less: Accumulated depreciation for:				
Buildings	2,764,188	148,444	-	2,912,632
Land improvements	1,381,207	18,261	-	1,399,468
Infrastructure	5,427,444	329,018	-	5,756,462
Machinery and equipment	1,942,163	124,148	(31,804)	2,034,507
Vehicles	3,725,285	230,310	(255,120)	3,700,475
Total Accumulated Depreciation	15,240,287	\$ 850,181	\$ (286,924)	15,803,544
Depreciable Capital Assets, Net of Accumulated Depreciation	8,838,578			9,111,732
Total Net Capital Assets	\$ 9,247,932			\$ 9,521,086

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 44,140
Police Department	104,698
Fire Department	228,657
Ambulance	51,776
Roads and Highways	236,515
Parks and Recreation	7,335
Marina and Docks	47,313
Sewage Treatment	129,747
Total governmental activities depreciation expense	\$ 850,181

See independent auditors' report.

7

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 7. Long-Term Debt

The following is a summary of changes in long-term liabilities for the year ended May 31, 2017.

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
General obligation bonds	\$ 1,705,000	\$ -	\$ (225,000)	\$ 1,480,000	\$ 220,000
Installment purchase debt	910,537	-	-	910,537	135,950
Net pension liability - proportionate share	2,367,960	-	(794,190)	1,573,770	-
Other post employment benefits	10,591,785	1,314,263	(346,933)	11,559,115	-
Compensated absences	849,303	31,685	(177,759)	703,229	57,983
Totals	\$ 16,424,585	\$ 1,345,948	\$ (1,543,882)	\$ 16,226,651	\$ 413,933

General Obligation Bonds – The Village borrows money in order to acquire land, equipment, to construct roads and other improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the Village. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

The following is a schedule of general obligation bonds:

Description	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Amount Outstanding May 31, 2017
2013 Public Improvements - Refunding	Feb-13	\$2,170,000	1.00%-2.00%	4/15/2025	\$ 1,480,000

Future principal and interest payments to maturity are as follows:

Year Ending May 31,	Principal	Interest	Total
2018	\$ 220,000	\$ 27,400	\$ 247,400
2019	210,000	23,100	233,100
2020	185,000	19,150	204,150
2021	180,000	15,500	195,500
2022	175,000	11,950	186,950
2023-2025	510,000	15,100	525,100
	\$ 1,480,000	\$ 112,200	\$ 1,592,200

Advanced Refunding

During the fiscal year ended May 31, 2013, the Village issued \$2,170,000 of refunding serial bonds bearing interest rates of 1.00% to 2.00% that have a final maturity date of April, 15, 2025. The proceeds were placed in an irrevocable trust to provide for all future debt service payments related to the advanced refunding of the following a) \$385,000 of the 1999 Public Improvement Serial Bonds plus accrued interest at the time of the defeasance and b) \$1,650,000 of the 2004 Public Improvements Serial Bonds plus accrued interest at the time of the defeasance. The remaining amount of the 2013 issuance was utilized for payment of the related ancillary charges inclusive of bond issuance costs and related discount/premiums.

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 7. Long-Term Debt (continued)

The issuance of new debt and the related payment of principal and interest are recorded in the fund level statements as proceeds of debt and payment to escrow respectively. Accordingly, the aforementioned trust account asset and liability for the defeased bonds are not included in the Village’s financial statements. As of May 31, 2017 the 1999 and a portion of the 2004 Public Improvement Bonds are considered defeased. The outstanding principal amount of the defeased bonds is \$1,350,000 as of May 31, 2017.

As a result of the refunding, the Village will decrease its total debt service requirement by \$178,972, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$161,736, or 8% of the principal amount being refunded. The unamortized balance for the defeased bonds was \$0 at the time of the defeasance. The deferred charges and issuance premium are being amortized over the remaining life of the bonds, as a component of interest expense.

Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Amount Outstanding May 31, 2017
Fire apparatus	Apr-16	\$ 910,537	3.10%	6/27/2026	\$ 910,537

Future principal and interest payments to maturity are as follows:

Year Ending May 31,	Principal	Interest	Total
2018	\$ 135,950	\$ 4,733	\$ 140,683
2019	116,593	24,090	140,683
2020	120,219	20,464	140,683
2021	123,957	16,725	140,682
2022	127,813	12,870	140,683
2023-2027	286,005	27,228	313,233
	<u>\$ 910,537</u>	<u>\$ 106,110</u>	<u>\$ 1,016,647</u>

Other Long-Term Liabilities

In addition to the above long term debt, the local government has the following non-current liabilities:

Net pension liability – The Village reports as an asset/liability its proportionate share of the collective net pension asset and/or liability in the New York State & Local Retirement System. Additional information can be found subsequently in these notes.

Compensated Absences – Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts based primarily on length of service and service position. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. As of May 31, 2017 \$ 703,229 of such benefits have been earned and vested. Of this amount, \$681,918 has already been reserved and is reported in the general fund and \$21,311 in the sewer fund, as employee benefit reserves.

Postemployment Benefits – In addition to providing benefits, the Village provides postemployment health insurance coverage for retired employees. Additional information can be found subsequently in these notes.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans

State Wide Local Government Retirement System

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan, collectively known as NYSLRS. These are cost-sharing multiple-employer retirement systems. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The NYSLRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (both ERS and PFRS) are required to contribute between 3% and 6%, depending on their salary, throughout their active membership. Under the Village of the NYSRSSL, the Comptroller annual certifies the actuarially rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2017	\$ 202,331	\$ 397,882
2016	229,183	485,418
2015	201,185	277,868

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At May 31, 2017, the Village reported a total liability of \$1,573,770 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015. 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 pension plans relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided by the NYSLRS to the Village.

	<u>ERS</u>	<u>PFRS</u>
Actuarial valuation date	April 1, 2016	April 1, 2016
Net pension liability	609,949	963,821
Village's portion of the Plan's total net pension liability	0.0064914%	0.0465018%

For the year ended May 31, 2017 the Village recognized pension expense of \$908,269. At May 31, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans (continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 15,284	\$ 126,436	\$ 92,624	\$ 166,527
Changes in assumptions	208,381	474,834	-	-
Net difference between projected and actual investment earnings on pension plan investments	121,831	143,945	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,132	74,653	73,111	40,832
Village's contributions subsequent to the measurement date	39,893	68,302	-	-
Total	\$ 425,521	\$ 888,170	\$ 165,735	\$ 207,359

The Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ended March 31,	ERS	PFRS
2018	\$ 100,204	\$ 198,312
2019	100,204	198,312
2020	102,209	187,568
2021	(82,724)	7,131
2022	-	21,187
Thereafter	-	-
	\$ 219,893	\$ 612,510

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation used the following actuarial assumptions.

	ERS	PFRS
Investment rate of return	7.0%	7.0%
COLA	1.3%	1.3%
Salary scale	3.8%	4.5%
Decrement tables	April 1, 2011-March 31, 2015 System's Experience	April 1, 2011-March 31, 2015 System's Experience
Inflation rate	2.5%	2.5%

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans (continued)

Annuitant mortality rates are based on April 1, 2011 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2011 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 (for both ERS and PFRS) are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunistic portfolio	3.00%	5.89%
Real assets	3.00%	5.54%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation index bonds	4.00%	1.50%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% which was unchanged from the discount rate used in the calculation of the total pension liability as of the beginning of the period. 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. Based upon the assumptions, the System’s 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 7.0%, as well as what Village’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.0%) or 1% point higher (8.0%) than the current rate:

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans (continued)

	1% Decrease (6.0%)	Current Assumptions (7.0%)	1% Increase (8.0%)
ERS			
Village's proportionate share of the net pension liability/(asset)	\$ 1,948,055	\$ 609,948	\$ (521,418)
PFRS			
Village's proportionate share of the net pension liability/(asset)	\$ 2,732,377	\$ 963,821	\$ (519,564)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	ERS <i>(Dollars in Thousands)</i>	PFRS <i>(Dollars in Thousands)</i>	Total <i>(Dollars in Thousands)</i>
Employers' total pension liability	\$ (177,400,586)	\$ (31,670,483)	\$ (209,071,069)
Plan net position	168,004,363	29,597,830	197,602,193
Employers' net pension assets/(liability)	\$ (9,396,223)	\$ (2,072,653)	\$ (11,468,876)
Ration of plan net position to the employers' total pension liability	94.70%	93.46%	94.51%

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Contributions as of May 31, 2017 represent the projected employer contribution for the period of April 1, 2016 through March 31, 2017 based on estimated ERS and PFRS wages, multiplied by the employer's contribution rate, by tier.

Fire Fighter Service Award Program

The Village financial statements are for the year ended May 31, 2017. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on December 31, 2016, which is the most recent plan year for which complete information is available.

Fire Fighter Length of Service Awards Program – LOSAP

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Sag Harbor Volunteer Fire Department. The program took effect on January 1, 1994. The program was established pursuant to Article 11-A of the General Municipal Law. The Program provided municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

Program Description

Participating, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points.

See independent auditors' report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans (continued)

Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant’s benefit under the program is a life annuity with 10 years certain equal to \$20 multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Benefits are not payable until the first day of the month coincident with or following the attainment of age 65 and the completion of one year of service. On and after that date, except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained Hometown Firefighter Services to assist in the administration of the program. The designated program administrator’s functions include maintaining all records of investments and earnings, and making all program disbursements. In addition, the administrator maintains all participant information. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the governing board.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The trust agreement is dated January 1, 1994, and the trustee is Genworth Life Insurance Company of New York. Program assets are held in compliance with NY GML Article 11-A(j).

Authority to invest program assets is vested in the Board of Trustees in compliance with NY GML Article 11-A 217(k). Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated June 2016.

Program Financial Condition

<u>Assets and Liabilities</u>	
Actuarial Present Value of Accrued Service Awards as of December 31, 2016	\$ 4,070,670
Less: Assets Available for Benefits	
Cash	\$ 67,322
Group Annuity Contracts	<u>2,815,932</u>
Total Net Assets Available for Benefits	<u>2,883,254</u>
Total Unfunded Benefits	1,187,416
Less: Unfunded Liability for Separately Amortized Costs	<u>(1,187,416)</u>
Unfunded Normal Benefits	<u>\$ -</u>

See independent auditors’ report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 8. Pension Plans (continued)

Prior service costs are being amortized over a range of 15 to 10 years at a discount rate of 5.25%.

<u>Receipts and Disbursements</u>		
Plan Net Assets, beginning of year		\$ 2,969,165
Change during the year:		
Sponsor contributions	\$ 265,406	
Investment income earned	99,499	
Benefits paid/payable	(250,067)	
Administrative expenses paid	(3,406)	
Plan Net Assets, end of year		\$ 3,080,597
 <u>Contributions</u>		
Contribution recommended by actuary:	Minimum	\$ 231,994
	Maximum	\$ 292,466
Actual contribution made by the Sponsors:		\$ 265,406

Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the sponsor’s contribution is unit credit cost method. The assumptions used by the actuary to determine the sponsor’s contribution and the actuarial present value of benefits are:

Mortality tables used for:	
Withdrawal	None
Disability	None
Retirement	RP2000 Mortality - Unisex
Death (Actives)	None
Death (Inactives)	None
Other	None

Ambulance Workers Length of Service Award Program

On June 18, 1996, the Village residents authorized the establishment of a defined contribution service award program for active volunteer ambulance workers pursuant to Article 11-AA of the General Municipal Law of New York State, “the Plan”, a trust to provide retirement benefits for the participants in the Plan. The office of the State Comptroller acts as administrator of this plan. Any active volunteer ambulance worker who has attained age 18 and completes at least one year of ambulance service by earning 50 response points is eligible to participate as of July 1st. A participant becomes 100% vested in the Plan after reaching five years of service or is awarded total and permanent disability.

The Village financial statements are for the year ended May 31, 2017. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on December 31, 2016, which is the most recent plan year for which complete information is available.

Generally, the Plan calls for the Village to make regular contributions to the trust. Contributions are actuarially calculated in accordance with the trust provisions. For the year ended May 31, 2017, the Village contributed \$15,000. Trust assets at May 31, 2017 were \$310,454 and are maintained by the Plan Administrator. These assets are accounted for in the Agency Fund. During the year the Trust had net investment income of \$15,014. Benefits paid during the year to retirees were \$-0- and administrative fees paid were \$3,051.

See independent auditors’ report.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 9. Other Post Employment Benefits - (OPEB)

Plan Description

The Village sponsors a single employer health care plan that provides postemployment medical benefits for eligible retirees and their spouses through the New York State Health Insurance Plan (NYSHIP) (the “Plan”). Substantially all of the Village’s employees may become eligible for these benefits if they reach normal retirement age while working for the Village. The Village does not issue a publicly available financial report for the plan; however, the financial activities of NYSHIP are included with the financial statements of the State of New York.

Funding Policy

The Village contributes between 50% - 97% of the cost of premiums for eligible retired plan members and their spouses as incurred, and 100% of Medicare Part B premiums. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid.

At this time there is no New York statute providing local governments with the authority for establishing a postemployment benefits trust. Since the Village cannot fund the OPEB liability at this time, the required contribution is based on projected pay-as-you-go financing requirements. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended May 31, 2017, the Village recognized a general fund expenditure of \$346,933 for currently enrolled retirees.

Annual OPEB Cost and Net OPEB Obligation

The Village’s annual other post-employment benefit (OPEB) cost (expense) is calculated on the annual required contribution of the Village (ARC). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Village’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village’s net OPEB obligation to the retiree:

Annual required contribution (ARC)	\$ 1,479,679
Interest on net OPEB obligation	423,671
Adjustment to annual required contribution	<u>(589,087)</u>
Annual OPEB cost (expense)	1,314,263
Contributions made	<u>(346,933)</u>
Change in net OPEB obligation	967,330
Net OPEB obligation - beginning of year	<u>10,591,785</u>
Net OPEB obligation - end of year	<u>\$ 11,559,115</u>

The Village’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows:

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 9. Other Post Employment Benefits - (OPEB) (continued)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 1,314,263	26.4%	\$ 11,559,115
2016	\$ 1,330,530	21.7%	\$ 10,591,785
2015	\$ 2,266,532	15.1%	\$ 9,550,242

Funded Status and Funding Progress

As of June 1, 2015, the most recent actuarial valuation date, the actuarial liability for benefits was \$15,427,013, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,605,344 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 592%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

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

For the June 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate for the unfunded portion, and an annual healthcare cost rate of 9.0% grading down to 5.0% and 7.0% for Medicare Part B grading down to 5.0%.

Based on the historical and expected returns of the Village’s short term investment portfolio, a discount rate of 4.0% percent was used. The unfunded actuarial accrued liability is being amortized as a level dollar amortization method. The remaining amortization period at May 31, 2017 was 30 years.

Note 10. Commitments and Contingences

State Grants

The Village is a recipient of various state grants. These grants are administrated by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could result in certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as the rules and regulations of the respective agency for each grant.

Tax Certiorari

There are presently pending against the Village of Sag Harbor a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The finance exposures in these cases are indeterminable at this time.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 10. Commitments and Contingences (continued)

Other

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

Note 11. Subsequent Events

The Village has evaluated events and transactions that occurred through February 7, 2018 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Note 12. Recent Accounting Pronouncements

The GASB has issued the following Statements which will be effective in future years:

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for pension plans that are not administered through a trust. The requirements of Statement No. 73 are effective for financial statements with periods beginning after June 15, 2016.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB No. 14*. This Statement changes how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. Specifically, such component units must be “blended into the primary state or local government’s financial statements in a manner similar to a department or activity of the primary government. This Statement is effective for reporting periods beginning after June 15, 2016.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Standard requires that governments who are the recipients of resources under such agreements must record the respective assets, liabilities and deferred inflows of their interest in the agreement at the time of inception. This Statement is effective for reporting periods beginning after December 15, 2016.

In March 2016, GASB issued Statement No. 82, *Pension Issues –An Amendment of GASB Statements No. 67, No. 68, and No.73*. This Standard clarifies certain issues raised in practice during the application and implementation of the pension standards and enhances consistency by clarifying existing standards. Portions of this Statement are effective for reporting periods beginning after June 15, 2016. Guidance provided under this standard for the “selection of assumptions” is effective for the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This standard will establish uniform criteria to recognize and measure certain AROs, including those AROs previously reported. The requirements of this standard are effective for the Village beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard will enhance the consistency and comparability of fiduciary activity by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this standard are effective for the Village beginning after December 15, 2018.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK – STATE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017**

Note 12. Recent Accounting Pronouncements (continued)

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard addressed various practice issues that were noted in the application of practice concerning component units, goodwill, fair value measurement and OPEB benefits. The requirements of this standard are effective for the Village beginning after June 15, 2017.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This standard will improve consistency in accounting and financial reporting for certain debt extinguishments and enhance the decision-usefulness of debt defeasance disclosures. The requirements of this standard are effective for the Village beginning after June 15, 2017.

In June 2017, GASB issued Statement No. 87, *Leases*. This standard will improve consistency in accounting and financial reporting for leases by governments as well as requiring the recognition of certain lease assets and liabilities that were previously classified as operating leases. The requirements of this standard are effective for the Village beginning after December 15, 2019.

The Village is currently evaluating the impact of these statements on the financial statements, and does not expect a material impact upon adoption.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
MAY 31, 2017**

	Fire Department Reserve	Ambulance Reserve	Sewer Reserve	Emergency Management Reserve	Total
ASSETS:					
Cash and cash equivalents - restricted	\$ 625,619	\$ 287,417	\$ 254,195	\$ 178,900	\$ 1,346,131
Due from other funds	1,120	-	-	-	1,120
TOTAL ASSETS	\$ 626,739	\$ 287,417	\$ 254,195	\$ 178,900	\$ 1,347,251
LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Restricted:					
Capital projects	626,739	287,417	254,195	178,900	1,347,251
TOTAL FUND BALANCES	626,739	287,417	254,195	178,900	1,347,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 626,739	\$ 287,417	\$ 254,195	\$ 178,900	\$ 1,347,251

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED MAY 31, 2017**

	Fire Department Reserve	Ambulance Reserve	Sewer Reserve	Emergency Management Reserve	Total
REVENUES:					
Interest earnings	\$ 336	\$ 156	\$ 244	\$ 170	\$ 906
Departmental income	12,660	-	-	-	12,660
Sale of property	46,500	-	-	-	46,500
TOTAL REVENUES	59,496	156	244	170	60,066
EXPENDITURES:					
Capital outlay	742,222	13,800	-	-	756,022
TOTAL EXPENDITURES	742,222	13,800	-	-	756,022
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(682,726)	(13,644)	244	170	(695,956)
OTHER FINANCING SOURCES:					
Operating transfers in	61,763	72,579	-	-	134,342
Proceeds from lease agreement	0	-	-	-	-
TOTAL OTHER FINANCING SOURCES	61,763	72,579	-	-	134,342
NET CHANGE IN FUND BALANCE	(620,963)	58,935	244	170	(561,614)
FUND BALANCE - BEGINNING	1,247,702	228,482	253,951	178,730	1,908,865
FUND BALANCE - ENDING	\$ 626,739	\$ 287,417	\$ 254,195	\$ 178,900	\$ 1,347,251

See independent auditor's report and notes to financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2017**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:					
Real property taxes	\$ 6,034,168	\$ 6,034,168	\$ 5,820,070		\$ (214,098)
Interest and penalties on taxes	45,000	45,000	67,364		22,364
Utilities gross receipts tax	75,000	75,000	84,715		9,715
Departmental income	1,018,000	1,048,000	1,152,164		104,164
Intergovernmental charges	1,053,575	1,053,575	1,064,618		11,043
Interest, rents and commissions	70,750	70,750	90,292		19,542
Licenses and permits	12,500	12,500	18,336		5,836
Fines and forfeitures	331,000	331,000	375,506		44,506
Sale of property and recoveries	20,000	23,500	36,814		13,314
Refund of prior years expense	1,000	1,000	12,448		11,448
Miscellaneous local sources	9,000	46,923	16,983		(29,940)
State aid	303,091	328,329	277,490		(50,839)
Federal aid	14,500	21,154	17,701		(3,453)
County sales tax	122,172	122,172	138,272		16,100
TOTAL REVENUES	9,109,756	9,213,071	9,172,773		(40,298)
OTHER FINANCING SOURCES:					
Transfer from other funds	51,000	51,000	51,000		-
TOTAL REVENUES AND OTHER SOURCES	9,160,756	9,264,071	\$ 9,223,773		\$ (40,298)
APPROPRIATED RESERVES:					
Prior year encumbrances	67,141	67,141			
Appropriated fund balance (budgetary)	75,000	140,027			
Appropriated reserves	-	177,759			
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 9,302,897	\$ 9,648,998			

See independent auditors' report and notes to the financial statements.

INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:					
General Government	\$ 1,900,770	\$ 2,026,376	\$ 1,904,136	\$ 93,398	\$ 28,842
Public Safety	2,811,149	2,969,680	2,864,539	12,179	92,962
Health	458,951	458,951	368,937	17,435	72,579
Transportation	796,279	880,517	654,325	200,500	25,692
Culture and Recreation	327,900	325,900	298,995	-	26,905
Home and Community Services	152,824	145,784	118,384	5,150	22,250
Employee Benefits	2,512,557	2,435,978	2,407,375	14,083	14,520
Debt service:					
Principal	212,400	212,400	212,400	-	-
Interest	30,067	58,385	58,384	-	1
TOTAL EXPENDITURES	9,202,897	9,513,971	8,887,475	342,745	283,751
OTHER FINANCING USES:					
Transfer to other funds	100,000	135,027	134,342	-	685
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 9,302,897	\$ 9,648,998	9,021,817	\$ 342,745	\$ 284,436

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
BUDGETARY COMPARISON SCHEDULE (unaudited)
SEWER FUND
FOR THE YEAR ENDED MAY 31, 2017**

	Original Budget	Modified Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:					
Interest and penalties on taxes	\$ -	\$ -	\$ 2,256		\$ 2,256
Departmental income	602,199	602,199	601,845		(354)
Interest, rents and commissions	500	500	400		(100)
County sales tax	19,938	19,938	19,938		-
TOTAL REVENUES	622,637	622,637	\$ 624,439		\$ 1,802
APPROPRIATED RESERVES:					
Prior year encumbrances	5,630	5,630			
Appropriated fund balance (budgetary)	20,000	20,000			
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 648,267	\$ 648,267			
EXPENDITURES:					
Home and Community Services	\$ 471,383	\$ 469,508	\$ 451,521	\$ 10,772	\$ 7,215
Employee Benefits	111,500	113,375	90,630	-	22,745
Debt service:					
Principal	12,600	12,600	12,600	-	-
Interest	1,784	1,784	1,784	-	-
TOTAL EXPENDITURES	597,267	597,267	556,535	10,772	29,960
OTHER FINANCING USES:					
Transfer to other funds	51,000	51,000	51,000	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 648,267	\$ 648,267	\$ 607,535	\$ 10,772	\$ 29,960

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (unaudited)
FOR THE YEAR ENDED MAY 31, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/1/2015	\$ -	\$ 15,427,013	\$ 15,427,013	0%	\$ 2,605,344	592%
6/1/2012	\$ -	\$ 16,438,067	\$ 16,438,067	0%	\$ 2,576,641	638%
6/1/2009	\$ -	\$ 12,762,142	\$ 12,762,142	0%	\$ 2,802,057	455%

The next actuarial valuation date is June 1, 2018.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK - STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
MAY 31, 2017**

NYSLRS Pension Plan	2017	2016
Village's proportion of the net pension liability		
ERS	0.0064914%	0.0052644%
PFRS	0.0465018%	0.0514393%
Village's proportionate share of the net pension liability		
ERS	\$ 609,949	\$ 844,951
PFRS	963,821	1,523,009
	<u>1,573,770</u>	<u>2,367,960</u>
Village's covered-employee payroll		
ERS	1,355,841	1,168,309
PFRS	1,691,765	1,662,831
	<u>3,047,606</u>	<u>2,831,140</u>
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll		
ERS	44.99%	72.32%
PFRS	56.97%	91.59%
Plan fiduciary net position as a percentage of the total pension liability		
ERS	94.70%	90.68%
PFRS	93.50%	90.24%

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK-STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF VILLAGE'S CONTRIBUTIONS - ERS
FOR THE YEAR ENDED MAY 31, 2017**

<u>NYSLRS Pension Plan</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 202,331	\$ 229,183	\$ 201,185	\$ 214,641	\$ 165,829	\$ 153,565	\$ 99,133	\$ 67,589	\$ 74,863	\$ 69,732
Contributions in relation to the contractually required contribution	<u>202,331</u>	<u>229,183</u>	<u>201,185</u>	<u>214,641</u>	<u>165,829</u>	<u>153,565</u>	<u>99,133</u>	<u>67,589</u>	<u>74,863</u>	<u>\$ 69,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Village's covered-employee payroll	\$ 1,355,841	\$ 1,168,309	\$ 1,079,752	\$ 1,088,978	\$ 855,203	\$ 843,203	\$ 806,102	\$ 839,234	\$ 787,262	\$ 717,538
Contributions as a percentage of covered-employee payroll	14.9%	19.6%	18.6%	19.7%	19.4%	18.2%	12.3%	8.1%	9.5%	9.7%

See independent auditors' report and notes to the financial statements.

**INCORPORATED VILLAGE OF SAG HARBOR
COUNTY OF SUFFOLK-STATE OF NEW YORK
REQUIRED SUPPLEMENTAL INFORMATION (unaudited)
SCHEDULE OF VILLAGE'S CONTRIBUTIONS - PFRS
FOR THE YEAR ENDED MAY 31, 2017**

<u>NYSLRS Pension Plan</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 397,882	\$ 485,418	\$ 277,868	\$ 417,048	\$ 438,727	\$ 378,720	\$ 224,234	\$ 258,449	\$ 207,646	\$ 259,833
Contributions in relation to the contractually required contribution	<u>397,882</u>	<u>485,418</u>	<u>277,868</u>	<u>417,048</u>	<u>438,727</u>	<u>378,720</u>	<u>224,234</u>	<u>258,449</u>	<u>207,646</u>	<u>\$ 259,833</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Village's covered-employee payroll	\$ 1,691,765	\$ 1,662,831	\$ 1,360,431	\$ 2,075,802	\$ 1,783,300	\$ 1,750,146	\$ 1,581,115	\$ 1,812,472	\$ 1,641,119	\$ 1,725,304
Contributions as a percentage of covered-employee payroll	23.5%	29.2%	20.4%	20.1%	24.6%	21.6%	14.2%	14.3%	12.7%	15.1%

See independent auditors' report and notes to the financial statements.