

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
MAY 31, 2019
TOGETHER WITH AUDITOR'S REPORTS

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report	1-2
Required Supplementary Information: Management's Discussion And Analysis ("MD&A")	3-11
Financial Statements:	
Village-Wide Financial Statements -	
Statement Of Net Position	12
Statement Of Activities	13
Fund Financial Statements -	
Balance Sheet - Governmental Funds	14
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Position	15
Fund Financial Statements -	
Statement Of Revenues, Expenditures And Changes In Fund Balance - Governmental Funds	16
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Balance To The Statement Of Activities	17
Notes To Financial Statements	18-34
Required Supplementary Information Other Than MD&A:	
Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget To Actual - General Fund	35
Schedule of Village's Proportionate Share Of The Net Pension Liability - NYSERS	36
Schedule of Village's Pension Contributions - NYSERS	37
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	38-39



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Incorporated Village of West Hampton Dunes:

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 West Hampton Dunes (the "Village"), as of and for the year ended May 31, 2019, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

NawrockiSmith

Basis for Qualified Opinion

Certain assets maintained by the Village are not accounted for in the Village-wide financial statements. It was noted that a full evaluation of the Village's capital assets has not been obtained nor has depreciation expense been recognized or calculated. It was also noted that the Village does not obtain an actuarial report nor account for their other post-employment benefits in the Village-wide financial statements.

Accounting principles generally accepted in the United States of America require that all assets maintained by an entity be valued at historical cost and depreciated over the estimated useful life of the asset. The principles also require that the amortized portion of the annual required contribution for the Village's cost of retiree's health benefits be calculated and recognized as a long-term liability. The amounts by which these departures would affect the assets, liabilities, net position and expenses of the Village has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Incorporated Village of West Hampton Dunes, as of May 31, 2019, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 3-11 and 35-37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York
January 15, 2020



INCORPORATED VILLAGE OF WEST HAMPTON DUNES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE FISCAL YEAR ENDED MAY 31, 2019

The following is a discussion and analysis of the Incorporated Village of West Hampton Dunes' (the "Village") financial performance for the fiscal year ended May 31, 2019. This section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of May 31, 2019, the Village had total assets of \$3,415,808, total deferred outflows of resources of \$98,322, total liabilities of \$1,462,915, total deferred inflows of resources of \$573,498 and net position of \$1,477,717.
- Total revenues for the year ended May 31, 2019 were \$2,018,649 and total expenses were \$1,703,866 resulting in an excess of revenues over expenditures of \$314,783.
- A modified opinion was issued due to certain capital assets maintained by the Village were not properly accounted for in the Village-wide financial statements nor was an actuarial report acquired for their other post-employment benefits obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements and required supplementary information. The financial statements include two kinds of financial statements that present different views of the Village:

- The first two financial statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining financial statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village's operations in *more detail* than the Village-wide financial statements.
 - The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Table A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the financial statements.

Table A-1: Major Features of the Village-Wide and Fund Financial Statements		
	Village-Wide Financial Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire Village	The activities of the Village that are not proprietary
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Village-Wide Financial Statements

The Village-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Village-wide financial statements report the Village's net position and how they have changed. Net position - the difference between the Village's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as availability of State and Federal funding and the condition of buildings and other facilities.

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).

The Village has the following types of funds:

- Governmental funds: Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide financial statements, reconciliations of the Village-wide and fund financial statements are provided which explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net position increased by 27.1% from the year before to \$1,477,717 as detailed in Tables A-2 and A-3.

	<u>05/31/19</u>	<u>05/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 857,918	\$ 504,238	\$ 353,680	70.1
Noncurrent assets	541,084	478,881	62,203	13.0
Capital assets	<u>2,016,806</u>	<u>1,901,293</u>	<u>115,513</u>	6.1
Total assets	<u>\$ 3,415,808</u>	<u>\$ 2,884,412</u>	<u>\$ 531,396</u>	18.4
Deferred outflows of resources	<u>\$ 98,322</u>	<u>\$ 214,464</u>	<u>\$ (116,142)</u>	(54.2)
Current liabilities	\$ 395,856	\$ 252,508	\$ 143,348	56.8
Noncurrent liabilities	<u>1,067,059</u>	<u>1,111,091</u>	<u>(44,032)</u>	(4.0)
Total liabilities	1,462,915	1,363,599	99,316	7.3
Deferred inflows of resources	<u>573,498</u>	<u>572,343</u>	<u>1,155</u>	0.2
Total liabilities and deferred inflows of resources	<u>\$ 2,036,413</u>	<u>\$ 1,935,942</u>	<u>\$ 100,471</u>	5.2
Net position:				
Net investment in capital assets	\$ 1,427,890	\$ 1,160,174	\$ 267,716	23.1
Unrestricted	<u>49,827</u>	<u>2,760</u>	<u>47,067</u>	1,705.3
Total net position	<u>\$ 1,477,717</u>	<u>\$ 1,162,934</u>	<u>\$ 314,783</u>	27.1

Changes in Net Position

The Village's fiscal year 2019 revenues totaled \$2,018,649, which is 8.7% more than fiscal year 2018 (see Table A-3). Property taxes and charges for services accounted for 99% of total revenues (see Table A-4).

- Real property taxes increased by 7.2% as a result of an increase of property taxes collected for each parcel in the Village.
- Charges for services increased by 18.6% due to an increase in departmental income.

The Village's fiscal year 2019 expenses totaled \$1,703,866 which is 2.1% greater than fiscal year 2018 (see Table A-3). These expenses (94%) are predominately related to general government and public safety (see Table A-6). The most significant contributors to this higher expense are increases in retirement and health insurance expenses.

	<u>05/31/19</u>	<u>05/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 235,309	\$ 198,419	\$ 36,890	18.6
Operating grants	5,821	5,936	(115)	(1.9)
General revenues:				
Real property taxes	1,766,132	1,648,164	117,968	7.2
Use of money and property	8,828	1,925	6,903	358.6
Miscellaneous	<u>2,559</u>	<u>2,067</u>	<u>492</u>	23.8
Total revenues	<u>2,018,649</u>	<u>1,856,511</u>	<u>162,138</u>	8.7
Expenses				
General government	623,397	627,181	(3,784)	(0.6)
Public safety	978,593	963,964	14,629	1.5
Transportation	27,457	28,694	(1,237)	(4.3)
Home and community services	26,177	4,052	22,125	546.0
Debt service - interest	<u>48,242</u>	<u>44,577</u>	<u>3,665</u>	8.2
Total expenses	<u>1,703,866</u>	<u>1,668,468</u>	<u>35,398</u>	2.1
Increase in net position	314,783	188,043	126,740	67.4
Net position, beginning of year	<u>1,162,934</u>	<u>974,891</u>	<u>188,043</u>	19.3
Net position, end of year	<u>\$ 1,477,717</u>	<u>\$ 1,162,934</u>	<u>\$ 314,783</u>	27.1

Table A-4: Sources of Revenues for Fiscal Year 2019

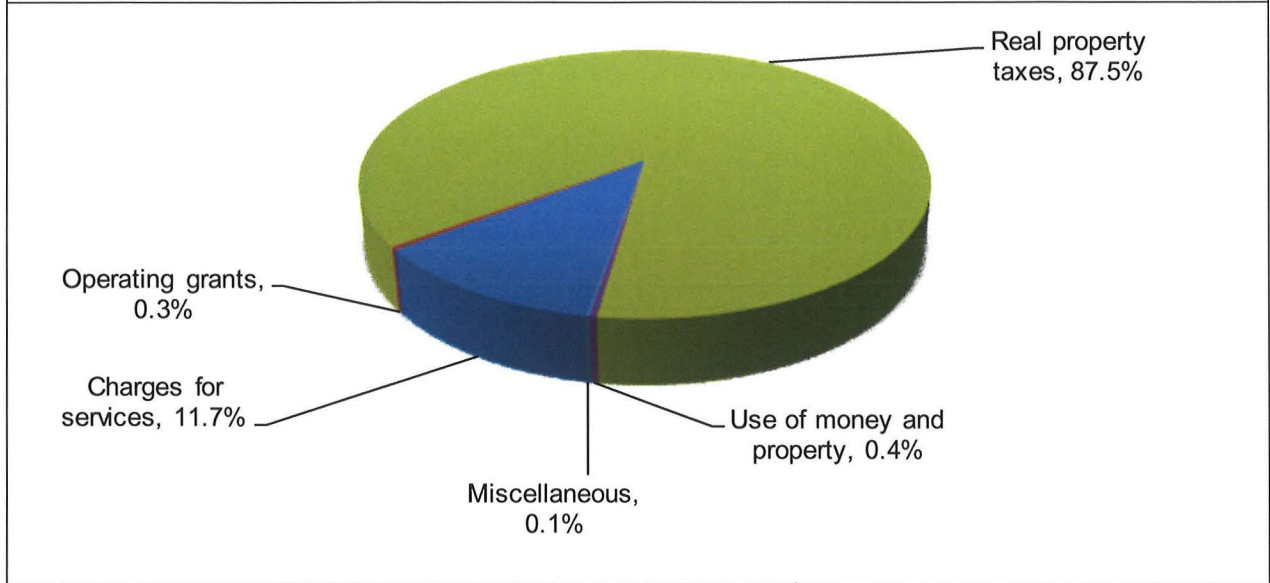


Table A-5: Sources of Revenues for Fiscal Year 2018

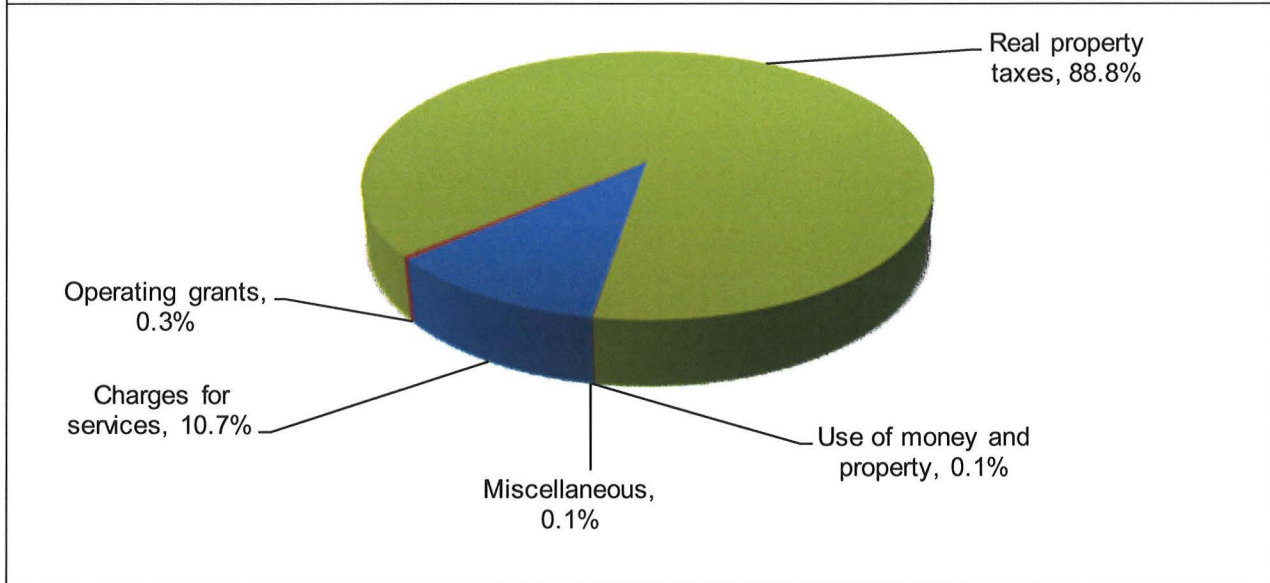


Table A-6: Expenses for Fiscal Year 2019

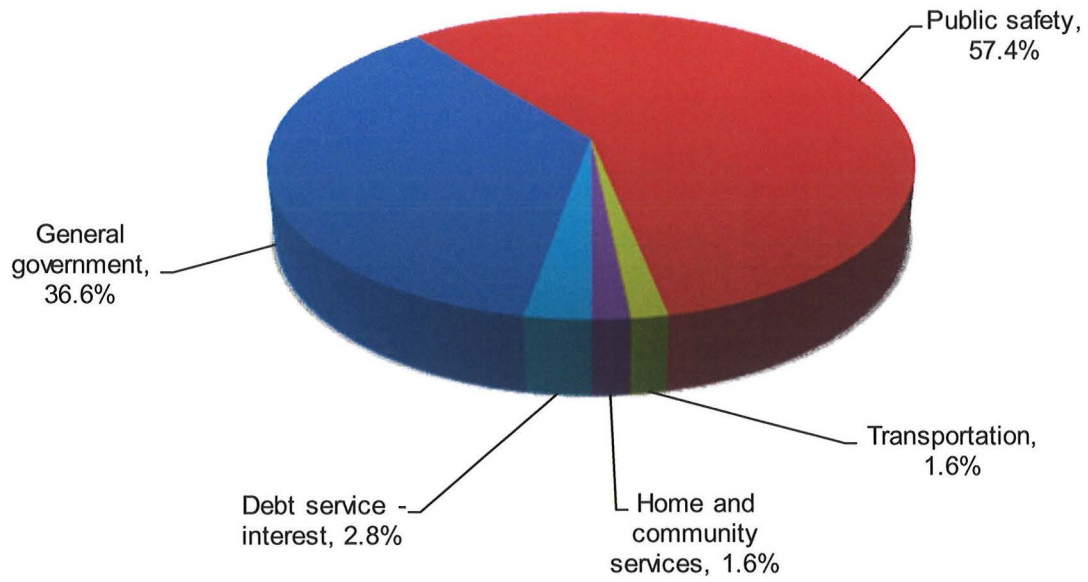
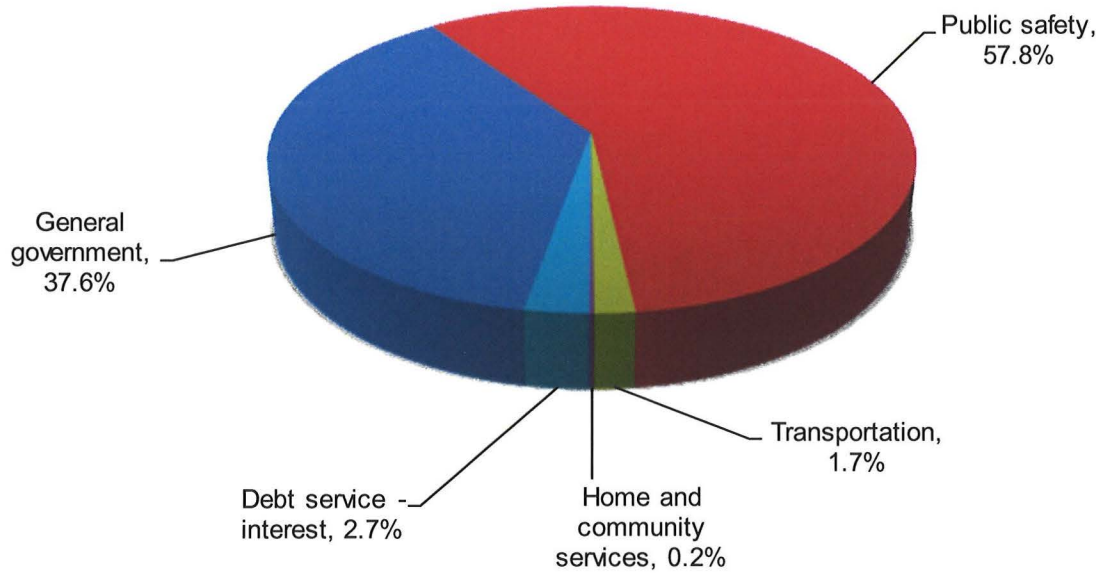


Table A-7: Expenses for Fiscal Year 2018



Governmental Activities

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment of long-term debt and construction costs.

The primary program activities of the Village included:

- Water service
- Refuse disposal
- Street maintenance
- Street lighting
- Snow removal
- Recreational activities

Substantially all of the Village's revenues are generated through real property taxes and charges for services.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Variances between years for the fund financial statements are not the same as variances between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's fund financial statements show the following significant variations:

- Total assets increased from \$1,123,862 in 2018 to \$1,498,802 in 2019. The overall increase is primarily a result of an increase in cash at year end.
- Total liabilities and deferred inflows of resources increased from \$555,139 in 2018 to \$848,203 in 2019. The increase is primarily due to increases in accounts payable and accrued liabilities and property taxes received in advance.
- Total real property taxes increased from \$1,648,164 in 2018 to \$1,766,132 in 2019 due to the Village increases in all resident property tax bills in the fiscal year ended May 31, 2019. Departmental income increased from \$143,389 in 2018 to \$168,088 in 2019 due to more money being collected for the special assessment beach project.
- Total employee benefits increased from \$386,758 in 2018 to \$400,198 in 2019 due to increased employer contribution costs for the Employee Retirement System.

General Fund Budgetary Highlights

Reference is made to the budget vs. actual schedule on page 35 which presents budget and actual results for the Village's General Fund.

- Actual revenues in the General Fund were more than the final budgeted revenues by \$15,082, primarily due to more than projected amounts of departmental income and licenses and permits during the 2019 year, offset by lower than projected state and local aid.

- Actual expenditures in the General Fund were lower than budget by \$89,748, primarily due to lower than anticipated costs in general government, transportation, employee benefits, and debt service principal.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the Village had invested \$2,016,806 in a broad range of capital assets, including improvements, other than building, vehicles, furniture, machinery and equipment.

	<u>05/31/19</u>	<u>05/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 407,728	\$ 399,878	\$ 7,850	2.0
Improvements, other than buildings	1,121,244	1,054,221	67,023	6.4
Vehicles, furniture, machinery and equipment	<u>487,834</u>	<u>447,194</u>	<u>40,640</u>	9.1
Totals	<u>\$ 2,016,806</u>	<u>\$ 1,901,293</u>	<u>\$ 115,513</u>	6.1

A modified opinion was issued on the basis that the Village does not record certain assets and does not depreciate capital assets which is a departure from GAAP.

Long-Term Debt

At year-end, the Village had \$1,035,000 in general obligation bonds.

	<u>05/31/19</u>	<u>05/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Bonds payable	<u>\$ 1,035,000</u>	<u>\$ 1,170,000</u>	<u>\$ (135,000)</u>	(11.5)
Totals	<u>\$ 1,035,000</u>	<u>\$ 1,170,000</u>	<u>\$ (135,000)</u>	(11.5)

A modified opinion was issued on the basis that the Village does not record the amortized portion of the annual required contribution for the Village's cost of health benefits for retirees which is a departure from GAAP.

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The future success of the Village and its programs are generally dependent on the ability to collect real property taxes.
- In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-2013 through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning June 1, 2018, at 1.02% (before exemptions). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Village's citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Incorporated Village of West Hampton Dunes
Village Office
4 Arthur Street
Westhampton Beaches, New York 11978
(631) 288-6571

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
STATEMENT OF NET POSITION
MAY 31, 2019

ASSETS

Current assets:		
Unrestricted cash	\$	786,292
Receivables:		
Taxes receivable		45,824
Due from other governments		8,896
Prepaid expenses		16,906
Noncurrent assets:		
Restricted cash		541,084
Capital assets		<u>2,016,806</u>
Total assets		<u>3,415,808</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related		<u>98,322</u>
Total deferred outflows of resources		<u>98,322</u>

LIABILITIES

Current liabilities:		
Payables:		
Accounts payable and accrued liabilities		129,989
Due to employees' retirement system		20,745
Accrued interest payable		15,122
Bond anticipation note		95,000
Long-term liabilities, due within one year:		
Bonds payable		135,000
Noncurrent liabilities:		
Long-term liabilities, due after one year:		
Bonds payable		900,000
Net pension liability - proportionate share of NYSERS		<u>167,059</u>
Total liabilities		<u>1,462,915</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes received in advance		502,669
Pension related		<u>70,829</u>
Total deferred inflows of resources		<u>573,498</u>

NET POSITION

Net investment in capital assets		1,427,890
Unrestricted		<u>49,827</u>
Total net position	\$	<u><u>1,477,717</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges For Services	Operating Grants	
Functions and programs:				
Primary government -				
General government	\$ 623,397	\$ -	\$ -	\$ (623,397)
Public safety	978,593	-	-	(978,593)
Transportation	27,457	-	-	(27,457)
Culture and recreation	-	48,284	-	48,284
Home and community services	26,177	187,025	5,821	166,669
Debt service - interest	48,242	-	-	(48,242)
Total primary government	<u>\$ 1,703,866</u>	<u>\$ 235,309</u>	<u>\$ 5,821</u>	<u>(1,462,736)</u>
General revenues:				
Real property taxes and other items				1,766,132
Use of money and property				8,828
Miscellaneous				<u>2,559</u>
Total general revenues				<u>1,777,519</u>
Change in net position				314,783
Total net position, beginning of year				<u>1,162,934</u>
Total net position, end of year				<u>\$ 1,477,717</u>

The accompanying notes to financial statements are an
integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2019

	Major Funds		Total Governmental Funds
	General	Capital Projects	
ASSETS			
Cash	\$ 786,292	\$ -	\$ 786,292
Restricted cash	-	541,084	541,084
Receivables:			
Taxes receivable	45,824	-	45,824
Due from other governments	8,896	-	8,896
Due from other funds	7,900	91,900	99,800
Prepaid expenses	16,906	-	16,906
Total assets	\$ 865,818	\$ 632,984	\$ 1,498,802
LIABILITIES			
Payables:			
Accounts payable and accrued liabilities	\$ 129,989	\$ -	\$ 129,989
Due to employees' retirement system	20,745	-	20,745
Bond anticipation note	-	95,000	95,000
Due to other funds	91,900	7,900	99,800
Total liabilities	242,634	102,900	345,534
DEFERRED INFLOWS OF RESOURCES			
Property taxes received in advance	502,669	-	502,669
Total deferred inflows of resources	502,669	-	502,669
Total liabilities and deferred inflows of resources	745,303	102,900	848,203
FUND BALANCE			
Fund balance:			
Nonspendable	16,906	-	16,906
Restricted	-	530,084	530,084
Unassigned	103,609	-	103,609
Total fund balance	120,515	530,084	650,599
Total liabilities, deferred inflows of resources and fund balance	\$ 865,818	\$ 632,984	\$ 1,498,802

The accompanying notes to financial statements are an
integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balance - Governmental Funds	\$	650,599
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following:</p> <p>Capital assets less accumulated depreciation are included in the Statement of Net Position:</p>		
Non-depreciable	\$	407,728
Depreciable	<u>1,609,078</u>	2,016,806
<p>Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:</p>		
Bonds payable		(1,035,000)
<p>Pension related items are not reported in the fund financial statements since they are not related to current financial resources. The pension related items included in the governmental activities consist of the following:</p>		
Net pension liability - proportionate share	(167,059)	
Deferred outflows of resources	98,322	
Deferred inflows of resources	<u>(70,829)</u>	(139,566)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued interest costs		<u>(15,122)</u>
Net Position - Governmental Activities	<u>\$</u>	<u>1,477,717</u>

The accompanying notes to financial statements are an integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2019

	Major Funds		Total Governmental Funds
	General	Capital Projects	
REVENUES			
Real property taxes and other items	\$ 1,766,132	\$ -	\$ 1,766,132
Licenses and permits	53,492	-	53,492
Departmental income	168,088	-	168,088
Fines and forfeitures	13,729	-	13,729
Use of money and property	8,828	-	8,828
State and local aid	5,821	-	5,821
Miscellaneous	-	2,559	2,559
Total revenues	<u>2,016,090</u>	<u>2,559</u>	<u>2,018,649</u>
EXPENDITURES			
General government	482,681	7,850	490,531
Public safety	700,326	40,640	740,966
Transportation	27,457	60,265	87,722
Culture and recreation	-	6,758	6,758
Home and community services	26,177	-	26,177
Employee benefits	400,198	-	400,198
Debt service -			
Principal	135,000	-	135,000
Interest	49,421	-	49,421
Total expenditures	<u>1,821,260</u>	<u>115,513</u>	<u>1,936,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>194,830</u>	<u>(112,954)</u>	<u>81,876</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	91,900	91,900
Interfund transfers out	<u>(91,900)</u>	<u>-</u>	<u>(91,900)</u>
Total other financing sources (uses)	<u>(91,900)</u>	<u>91,900</u>	<u>-</u>
Change in fund balance	102,930	(21,054)	81,876
Fund balance, beginning of year	<u>17,585</u>	<u>551,138</u>	<u>568,723</u>
Fund balance, end of year	<u>\$ 120,515</u>	<u>\$ 530,084</u>	<u>\$ 650,599</u>

The accompanying notes to financial statements are an
integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

Net Change in Fund Balance - Governmental Funds	\$ 81,876
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of capital outlay, net of retirements in the current period is:</p>	
	115,513
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>	
Repayment of bond principal	135,000
<p>Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the governmental funds. However, it is included in the Statement of Net Position.</p>	
	1,179
<p>Changes in the proportionate share of net pension liability reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.</p>	
	<u>(18,785)</u>
Net Change in Net Position - Governmental Activities	<u>\$ 314,783</u>

The accompanying notes to financial statements are an integral part of this statement.

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

1. Summary of significant accounting policies

The financial statements of the Incorporated Village of West Hampton Dunes (the "Village") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Financial reporting entity

The Village of West Hampton Dunes, which was incorporated in 1933, is located in the Town of Southampton in Suffolk County and has approximately 330 properties. The Village is governed by its Charter, General Municipal Law, Village Law, other general laws of the State of New York and various local laws. The Village Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as chief executive officer and the Village Treasurer serves as chief fiscal officer and budget officer.

The Village provides public safety (constables) and general administrative services.

The financial reporting entity consists of (a) the primary government which is the Incorporated Village of West Hampton Dunes, (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 exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

B. Basis of presentation

1. Village-wide financial statements

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These financial statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund financial statements provide information about the Village's funds. Separate financial statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Village records its transactions in the fund types described below:

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

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or resurfacing of major capital facilities and equipment.

C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts 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.

Modified accrual basis - the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Material revenues that are accrued include real property taxes and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made and the resources are available.

Accrual basis - the Village-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

Real property taxes are levied annually no later than June 1, and become a lien on June 1. Taxes are collected during the period June 1 to May 1 of the subsequent year.

Unpaid Village taxes on March 15 of the subsequent year are enforced by tax sale. In all cases where no bid is made on a parcel of land offered for sale for an amount sufficient to pay tax, interest and charges, the premises are deemed to have been sold to and purchased by the Village.

E. Interfund transactions

Interfund transactions have been eliminated from the Village-wide financial statements. In the fund financial statements, interfund transactions include:

1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or facilities are reflected as an expenditure of the fund receiving the service.

2. Transfers

Interfund transfers represent payments to/from other funds for reimbursement of costs paid by one fund for another fund or funding for capital projects.

F. Cash and cash equivalents/investments

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Village.

G. Receivables

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

H. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements and regulations.

I. Capital assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

J. Deferred outflows of resources

In addition to assets, the Statement of Net Position 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 that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

K. Deferred inflows of resources

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows of resources are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when the recognition criteria is met, or when the Village has legal claim to the resources, the deferred inflow of resources is removed and revenues are recorded.

L. Long-term obligations

Liabilities for long-term obligations consist of general obligation bonds payable which are recognized in the Village-wide financial statements.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

M. Post-employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors that meet the requirements within the Village's policies. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid.

During the year ended May 31, 2019, the Village has not made any contributions, as there are no retirees.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

O. Net position

In the Village-wide financial statements, there can be three classes of net position:

1. Net investment in capital assets: Consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

2. Restricted: Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted: Is the amount of net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - Includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. The Village had \$16,906 of nonspendable fund balances as of May 31, 2019.
2. Restricted - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village had \$530,084 of restricted fund balances as of May 31, 2019.
3. Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Village has no committed fund balances as of May 31, 2019.
4. Assigned - Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance, except for tax stabilization arrangements. The Village has no assigned fund balances as of May 31, 2019.
5. Unassigned - Includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Fund balances for all governmental funds as of May 31, 2019 were distributed as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 16,906	\$ -	\$ 16,906
Restricted:			
Capital Projects Fund	-	530,084	530,084
Unassigned	<u>103,609</u>	<u>-</u>	<u>103,609</u>
Total fund balance	<u>\$ 120,515</u>	<u>\$ 530,084</u>	<u>\$ 650,599</u>

Order of use of fund balance

The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

P. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Village maintains insurance policies in amounts and on terms generally standard for municipalities to insure against these liabilities. These insurance policies limit the overall exposure to Village assets by providing a third party insurer to assume the risk and liabilities relating to claims.

2. **Explanation of certain differences between fund financial statements and Village-wide financial statements**

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

A. Total fund balances of governmental funds vs. net position of governmental activities

Total fund balances of the Village's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental funds Balance Sheet.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of the four broad categories. The categories are shown below:

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

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

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund financial statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension differences

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability and differences between the Village's contributions and its proportionate share of the total contributions to the pension system.

3. **Stewardship, compliance and accountability**

A. Budgetary data

1. Budget policies

- a. No later than March 20, the Village Treasurer submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village Board of Trustees.

2. Budget basis of accounting

Budgets are adopted annually for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.

4. **Cash and cash equivalents - custodial credit, concentration of credit, interest rate and foreign currency risks**

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village 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 102 percent 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 the State and its municipalities.

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 102 percent of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Custodial credit risk - deposits/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB 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.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. They consisted of:

	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General Fund	\$ 799,456	\$ 786,292	Insured (FDIC and Collateral)
Capital Projects Fund	<u>541,731</u>	<u>541,084</u>	Insured (FDIC and Collateral)
	<u>\$ 1,341,187</u>	<u>\$ 1,327,376</u>	

Credit risk: State law limits investments to those authorized by State statutes. The Village has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of May 31, 2019, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

5. Interfund balances and activity

Interfund receivable and payable balances as of May 31, 2019 primarily represent monies that will be reimbursed subsequent to year-end. Interfund transfer balances as of May 31, 2019 represent budgeted transfers from the General Fund to the Capital Projects Fund. Balances at year end are stated as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 7,900	\$ 91,900	\$ -	\$ 91,900
Capital Projects Fund	91,900	7,900	91,900	-
Totals	<u>\$ 99,800</u>	<u>\$ 99,800</u>	<u>\$ 91,900</u>	<u>\$ 91,900</u>

6. Capital assets

Capital asset balances and activity for the year ended May 31, 2019 were as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 399,878	\$ 7,850	\$ -	\$ 407,728
Capital assets that are depreciated:				
Improvements, other than buildings	1,054,221	67,023	-	1,121,244
Vehicles, furniture, machinery and equipment	447,194	40,640	-	487,834
Total depreciable capital assets	1,501,415	107,663	-	1,609,078
Total capital assets	<u>\$ 1,901,293</u>	<u>\$ 115,513</u>	<u>\$ -</u>	<u>\$ 2,016,806</u>

A modified opinion was issued on the basis that the Village does not record certain assets and does not depreciate capital assets which is a departure from GAAP.

7. Short-term debt

Bond anticipation notes ("BANS") are used as temporary means of financing capital expenditures in the Capital Projects Fund. State law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter. Liabilities for BANS are generally accounted for in the Capital Projects Funds. BANS are expected to be paid from the proceeds of future bond issues after renewal of these notes.

A summary of changes in short-term debt for the year ended May 31, 2019 is as follows:

	Beginning Balance	Issuances	Payments	Ending Balance
Bond anticipation note matured on 5/23/19 at an interest rate of 2.74%	\$ 50,000	\$ -	\$ 50,000	\$ -
Bond anticipation note maturing on 5/21/20 at an interest rate of 2.99%	-	95,000	-	95,000
	<u>\$ 50,000</u>	<u>\$ 95,000</u>	<u>\$ 50,000</u>	<u>\$ 95,000</u>

Interest paid related to short-term debt for the year ended May 31, 2019 is \$1,343.

8. Long-term debt

Long-term liability balances and activity for the year ended May 31, 2019 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 1,170,000	\$ -	\$ 135,000	\$ 1,035,000	\$ 135,000
Total long-term liabilities	<u>\$ 1,170,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,035,000</u>	<u>\$ 135,000</u>

Serial bonds - the Village borrows money in order to acquire land or equipment or to construct buildings and 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 local government.

The following is a summary of maturity of long-term bond indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 5/31/19</u>
2008 Road Improvement Serial Bonds	12/18/2008	12/18/2024	4.375%-5.375%	\$ 255,000
2018 Public Improvement Serial Bonds	3/28/2018	3/15/2032	3.250%-4.000%	780,000
				<u>\$ 1,035,000</u>

The following table summarizes the Village's future debt service requirements for bonds payable:

<u>Year Ended May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 135,000	\$ 44,113	\$ 179,113
2021	120,000	38,713	158,713
2022	120,000	33,400	153,400
2023	120,000	27,913	147,913
2024	120,000	22,356	142,356
2025-2029	285,000	58,800	343,800
2030-2032	135,000	10,800	145,800
	<u>\$ 1,035,000</u>	<u>\$ 236,095</u>	<u>\$ 1,271,095</u>

A modified opinion was issued on the basis that the Village does not record the amortized portion of the annual required contribution for the Village's cost of health benefits for retirees, which is a departure from GAAP.

Interest on long-term debt for the year ended May 31, 2019 was comprised of the following:

Interest paid	\$ 48,078
Less interest accrued in the prior year	(16,301)
Plus interest accrued in the current year	<u>15,122</u>
Interest expense	<u>\$ 46,899</u>

9. Pension plan

Plan description

The Incorporated Village of West Hampton Dunes participates in the New York State and Local Employees' Retirement System ("NYSERS" or "System"). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.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.

Benefits provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) NYSERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	
2019	\$ 87,463
2018	83,178
2017	87,932

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At May 31, 2019, the Village reported a liability of \$167,059 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. Update procedures were used to roll forward the pension liability to March 31, 2019. 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 plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2019, the Village reported the following liability for its proportionate share of the net pension liability for the System:

Actuarial valuation date	April 1, 2018
Net pension liability	\$ 167,059
Village's portion of the Plans' total net position liability	0.002358%

For the year ended May 31, 2019, the Village recognized pension expense of \$107,283. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected experience and actual experience	\$ 32,897	\$ 11,214
Changes of assumptions	41,992	-
Net difference between projected and actual earnings on pension plan investments	-	42,877
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	2,688	16,738
Employer contributions made subsequent to the measurement date	<u>20,745</u>	<u>-</u>
Total	<u>\$ 98,322</u>	<u>\$ 70,829</u>

Deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2020. 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 year ended:

2020	\$ 31,164
2021	(39,063)
2022	(6,892)
2023	21,539

Actuarial assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term 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 each 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, 2019 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return strategies	2.00%	3.75%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Domestic equity	36.00%	4.55%
Inflation-indexed bonds	4.00%	1.25%
International equity	14.00%	6.35%
Opportunistic portfolio	3.00%	5.68%
Private equity	10.00%	7.50%
Real assets	3.00%	5.29%
Real estate	10.00%	5.55%
	<u>100.00%</u>	

Discount rate

The discount rate used to calculate the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. 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 7.00%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ 730,410	\$ 167,059	\$ (306,195)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	<u>(Dollars in Thousands)</u>
Employers' total pension liability	\$ (189,803,429)
Plan net position	<u>182,718,124</u>
Employers' net pension liability	<u>\$ (7,085,305)</u>
Ratio of plan net position to the employers' total pension liability	96.27%

10. Commitments and contingencies

A. Risk management and litigation

In common with other municipalities, the Village receives numerous notices of claims. Although the eventual outcome of the claims cannot presently be determined, it is the opinion of the Village and Village Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have a material adverse effect on the financial condition of the Village, in view of the Village's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law. The Village is insured for worker's compensation insurance and disability insurance.

B. Government grants

The Village receives grants which are subject to audit by agencies of the State and local governments. Such audits may result in disallowances and a request for a return of funds to the State and Federal governments. Based on past experience, the Village administration believes disallowances, if any, would be immaterial.

C. Real property tax litigation

On an ongoing basis, the Village is a party to litigation including tax certiorari proceedings. Such proceedings will occasionally result in settlements, whereby the Village will be required to rebate certain real property taxes. Such rebates are recognized when realized. Based on past experience, the Village Administration believes the ultimate resolution of current legal actions, if any, would be immaterial.

D. Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-2013 through at least June 15, 2020, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. The New York State Comptroller set the allowable levy growth factor for local governments for fiscal years beginning June 1, 2018, at 1.02% (before exemptions). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

11. Future accounting standards

The Village will evaluate the impact of each of these upcoming pronouncements may have on its financial statements and will implement them as applicable and when material. The following is a list of GASB pronouncements issued but not yet effective:

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
Statement No. 84	Fiduciary Activities	May 31, 2020
Statement No. 87	Leases	May 31, 2021
Statement No. 88	Certain Disclosures Related To Debt, Including Direct Borrowings And Direct Placements	May 31, 2020
Statement No. 89	Accounting For Interest Cost Incurred Before The End Of A Construction Period	May 31, 2021
Statement No. 90	Majority Equity Interests - An Amendment Of GASB Statements No. 14 And No. 61	May 31, 2020
Statement No. 91	Conduit Debt Obligations	May 31, 2022

12. Subsequent events

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of January 15, 2020 which is the date the financial statements were available to be issued noting no matters requiring disclosure.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019

	Budget	Actual	Better (Worse)
REVENUES			
Real property taxes and other items	\$ 1,773,408	\$ 1,766,132	\$ (7,276)
Licenses and permits	35,000	53,492	18,492
Departmental income	141,600	168,088	26,488
Fines and forfeitures	22,000	13,729	(8,271)
Use of money and property	1,000	8,828	7,828
State and local aid	28,000	5,821	(22,179)
	<u>2,001,008</u>	<u>2,016,090</u>	<u>15,082</u>
EXPENDITURES			
General government	513,100	482,681	30,419
Public safety	708,120	700,326	7,794
Transportation	57,000	27,457	29,543
Home and community services	20,000	26,177	(6,177)
Employee benefits	427,000	400,198	26,802
Debt service -			
Principal	150,788	135,000	15,788
Interest	35,000	49,421	(14,421)
	<u>1,911,008</u>	<u>1,821,260</u>	<u>89,748</u>
OTHER FINANCING USES			
Interfund transfers out	(90,000)	(91,900)	(1,900)
	<u>(90,000)</u>	<u>(91,900)</u>	<u>(1,900)</u>
Change in fund balance	<u>\$ -</u>	<u>102,930</u>	<u>\$ 102,930</u>
Fund balance, beginning of year		<u>17,585</u>	
Fund balance, end of year		<u>\$ 120,515</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

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

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</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>
Village's proportionate share of the net pension liability	0.00236%	0.00236%	0.00243%	0.00253%	0.00225%	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability	\$ 167	\$ 76	\$ 229	\$ 406	\$ 76	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 617	\$ 608	\$ 570	\$ 573	\$ 522	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability as a percentage of covered payroll	27.10%	12.52%	40.11%	70.86%	14.56%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	94.70%	94.70%	90.68%	97.15%	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

INCORPORATED VILLAGE OF WEST HAMPTON DUNES
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSERS
LAST TEN FISCAL YEARS*
(Dollar amounts in thousands)

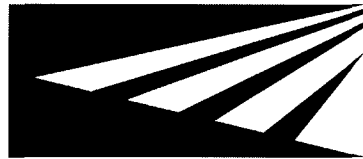
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>
Contractually required contribution	\$ 87	\$ 83	\$ 88	\$ 122	\$ 132	\$ 83	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>87</u>	<u>83</u>	<u>88</u>	<u>122</u>	<u>132</u>	<u>83</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Village's covered-employee payroll	\$ 616	\$ 608	\$ 570	\$ 573	\$ 522	\$ 441	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.19%	13.69%	15.42%	21.29%	25.29%	18.82%	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

Not Available = N/A

****Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of the
Incorporated Village of West Hampton Dunes:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Incorporated Village of West Hampton Dunes (the "Village"), as of and for the year ended May 31, 2019, and the related notes to financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

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

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

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

NawrockiSmith

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
January 15, 2020

