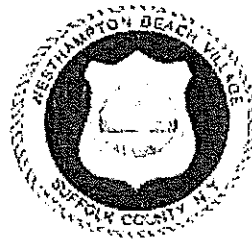


INCORPORATED VILLAGE OF  
WESTHAMPTON BEACH  
*COUNTY OF SUFFOLK - STATE OF NEW YORK*

*FINANCIAL STATEMENTS*  
Year Ended May 31, 2018



**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
Year Ended May 31, 2018**

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**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

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As management of the Incorporated Village of Westhampton Beach (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, 2018. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

As reflected in the government-wide financial statements, the assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources as of May 31, 2018 by \$19,312,006 (net position), of which \$1,171,411 is unrestricted and may be used to meet the Village’s ongoing obligations to citizens and creditors in accordance with the Village’s fund designation and fiscal policies.

As reflected in the fund financial statements, as of May 31, 2018, the Village’s government funds reported an ending fund balance of \$8,000,397. Of this amount, \$3,721,217 is restricted, \$427,165 is assigned, and \$3,852,015 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. These 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 total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. 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 government’s net position changed during the fiscal year. All changes in net position are reported as soon as 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 fiscal periods.

The government-wide financial statements distinguish function and programs of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the Village include general government support, justice court, police protection, fire department, building department, roads and highways, parks and recreation, and sanitation.

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 objectives. 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.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

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**Governmental funds** - Governmental funds are used to account for essentially the same functions 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 available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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 funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three 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, Capital Projects Fund, and Special Revenue Fund.

The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements and reconciliations 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 statement can be found on page 16 of this report.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-36 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. In the case of the Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$19,312,006 at the close of the most recent fiscal year.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

**VILLAGE’S NET POSITION**

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
Current and other assets	\$ 9,514,950	\$ 8,195,910	\$ 1,319,040
Capital assets	16,169,378	16,222,421	(53,043)
Deferred outflows of resources	1,720,296	1,212,827	507,469
<b>Total Assets and Deferred Outflows of Resources</b>	<b>27,404,624</b>	<b>25,631,158</b>	<b>1,773,466</b>
Current liabilities	1,823,022	504,874	1,318,148
Non-current liabilities	4,776,198	4,720,083	56,115
Deferred inflows of resources	1,493,398	331,338	1,162,060
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>8,092,618</b>	<b>5,556,295</b>	<b>2,536,323</b>
<b>Net position:</b>			
Net investment in capital assets	14,419,378	15,172,421	(753,043)
Restricted	3,721,217	4,078,066	(356,849)
Unrestricted	1,171,411	824,376	347,035
<b>Total Net Position</b>	<b>\$ 19,312,006</b>	<b>\$ 20,074,863</b>	<b>\$ (762,857)</b>

Currently, the largest portion (\$14,419,378) of the Village’s net position 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.

Current and other assets increased by \$1,319,040, similar to the increase in current liabilities of \$1,318,148. The primary reason for the increase in both areas was the issuance of a bond anticipation note (BAN), which simultaneously increased cash and BANs payable by \$1,000,000.

Deferred outflows of resources increased by \$507,469 due to a change in actuarial estimates regarding the New York State Retirement System liability. This was also the reason for the increase in deferred inflows of resources of \$1,162,060.

The net investment in capital assets decreased over the prior year by \$753,043, primarily as a result of current depreciation.

A portion of the Village’s net position, \$3,721,217, represents resources that are subject to external restriction on how they may be used. Decreases of \$356,849 were primarily the result of retirement payouts, thereby reducing the employee benefit reserve.

The remaining balance of unrestricted net position totaling \$1,171,411 may be used to meet the Village’s ongoing obligations to citizens and creditors.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

**VILLAGE’S CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues/charges for services	\$ 1,306,842	\$ 1,407,471	\$ (100,629)
Operating grants	3,137	5,508	(2,371)
Capital grants	318,450	186,094	132,356
General revenues:			
Property taxes	8,264,200	8,124,051	140,149
Non-property taxes	212,353	194,802	17,551
Unrestricted investment earnings	67,429	28,629	38,800
State aid	258,254	306,043	(47,789)
(Loss) on capital asset dispositions	31	(23,883)	23,914
Miscellaneous	77,903	41,609	36,294
<b>Total Revenues</b>	<b>10,508,599</b>	<b>10,270,324</b>	<b>238,275</b>
Expenses:			
General government	\$ 1,804,747	\$ 1,923,744	\$ (118,997)
Justice court	204,092	168,398	35,694
Public safety	4,761,840	3,772,624	989,216
Transportation	2,830,826	2,175,650	655,176
Culture and recreation	860,208	557,547	302,661
Home and community services	123,532	89,870	33,662
Interest on long-term debt	56,524	43,360	13,164
<b>Total Expenses</b>	<b>10,641,769</b>	<b>8,731,193</b>	<b>1,910,576</b>
<b>Change in Net Position</b>	<b>(133,170)</b>	<b>1,539,131</b>	<b>(1,672,301)</b>
<b>Beginning Net Position (Restated)</b>	<b>19,445,176</b>	<b>18,535,732</b>	<b>909,444</b>
<b>Ending Net Position</b>	<b>\$ 19,312,006</b>	<b>\$ 20,074,863</b>	<b>\$ (762,857)</b>

**Revenue Categories:**

Program Revenues – includes charges for services which provide a direct benefit to the purchaser, including fees for recreational and community events and building permits. Revenues contributed by external governments that are restricted to supporting these types of programs are also classified as program revenues as either operating or capital grants.

General Revenues – includes revenues that are available to fund the overall government and to provide a benefit to all taxpayers in the Village. This includes real property taxes and miscellaneous funds that may be generated during the course of the year, such as sales on excess equipment and insurance property loss claims received.

The Village’s revenues increased by \$238,275. This increase is primarily due to an increase in property taxes and capital grants.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

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**Expense Categories:**

The Village’s expenses increased by \$1,910,576. This was largely a result of increases in public safety and transportation expenses. The additional expenses were driven by increases in employee benefits.

**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 the Village’s net resources available for spending at the end of the fiscal year.

As of May 31, 2018, the Village's governmental funds reported combined ending balances of \$8,000,397, an increase of \$53,582 in comparison to the prior year. Of this total amount, \$3,852,015 constitutes unassigned fund balance, which is available for spending at the Village’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 \$3,852,015, while total fund balance reached \$5,442,635. 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 expenditures. Unassigned fund balance represents approximately 41% of total general fund expenditures, while total fund balance represents approximately 58% of general fund expenditures.

The fund balance of the Village’s General fund increased during the current year by \$23,886 to \$5,442,635. The key factor in this was revenues exceeding expenditures by \$1,073,886, of which \$1,050,000 was transferred to the Capital Projects Fund.

**Special Revenue** – The fund balance in the Special Revenue Fund decreased during the current fiscal year by \$164,722 to \$753,522. The key factor was expenditures exceeding revenues.

**Capital Projects Fund** – The fund balance in the Capital Projects Fund increased during the current fiscal year by \$194,418 to \$1,804,240. The key factor was transfers received from the General Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village’s General Fund adopted budget for the fiscal year ended May 31, 2018 was \$10,392,585. This amount was increased by encumbrances carried forward from the prior year in the amount of \$77,165 and increases authorized by the Board of Trustees totaling \$1,379,230, all of which was funded by appropriated fund balance.

The budget was funded through a combination of anticipated revenues. The major funding sources were real property taxes of \$8,321,204, departmental income of \$564,150, licenses and permits of \$369,750 and state aid of \$319,930.

The General Fund performed favorably compared to budgeted revenues and expenditures.

Actual revenues of \$10,488,177 compared to the original budget of \$10,009,285 with a positive variance to budget of \$478,892. This variance consisted primarily of additional state aid, fines and forfeitures, and departmental income.

Actual expenditures for the year were \$10,464,292 compared to the original budget of \$10,392,585 with an unfavorable variance to budget of \$71,707. This variance is primarily the result of additional transfers to the Capital Projects Fund.

See independent auditors’ report and notes to financial statements.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The Village’s investment in capital assets for its governmental activities as of May 31, 2018, amounts to \$16,169,378 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, structures, machinery and equipment, vehicles and equipment, and other building improvements.

**CAPITAL ASSETS**

As of the year ended May 31,	<u>2018</u>	<u>2017</u>
Land	\$ 3,344,521	\$ 3,344,521
Construction in proress	-	887,813
Land improvements	425,533	533,857
Infrastructure	5,936,366	5,963,286
Structures	5,726,912	4,590,275
Machinery and equipment	162,701	149,500
Vehicles and equipment	573,345	753,169
Total	<u>\$ 16,169,378</u>	<u>\$ 16,222,421</u>

Additional information on the Village’s capital assets is shown in Note 6 on page 27 of this report.

**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.

As of the year ended May 31,	<u>2018</u>	<u>2017</u>
Serial bonds	\$ 750,000	\$ 1,050,000
Total	<u>\$ 750,000</u>	<u>\$ 1,050,000</u>

Additional information on the Village’s outstanding debt is shown in Note 8 on page 28 of this report.

**ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The 2018/2019 budget appropriations are \$10,665,753 which is 2.96% more than the current year’s adopted budget. Most of the appropriations budget is about equal to the prior year with the exception of recreation, which has been increased by \$58,911; employee benefits, which has been increased by \$100,000; and debt service, which has been increased by \$113,300. Property tax collections are budgeted to increase by \$175,968, about 2.1%.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
MAY 31, 2018**

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**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Village’s finances and to show the Village’s accountability for the money it receives. Questions concerning any information provided in this report should be addressed to the Village at 165 Mill Road, Westhampton Beach, NY 11978.



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

*Certified Public Accountants & Business Advisors*

Since 1949...People...Relationships...Results.

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Board of Trustees of the  
Incorporated Village of Westhampton Beach:

### **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 Westhampton Beach (the "Village"), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Westhampton Beach, as of May 31, 2018, 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.V. to the financial statements, the beginning net position was restated to correct errors involving the calculation of the other postemployment benefits liability and the balance of capital assets in previously issued financial statements. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for other postemployment benefits, the schedule of the Village's proportionate share of the net pension liability, the schedule of the Village's contributions – ERS, and the schedule of the Village's contributions – PFRS, be presented to supplement the basic financial statements. Such information, although 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 Westhampton Beach'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 and individual nonmajor 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  
November 28, 2018

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF NET POSITION  
MAY 31, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS AND DEFERRED OUTFLOWS:</b>	
<b>CURRENT ASSETS:</b>	
Cash - unrestricted	\$ 5,704,833
Cash - restricted	3,721,217
Receivables:	
Accounts receivable	5,607
Taxes sale certificates	865
Due from other governments	69,349
Due from fiduciary fund	<u>13,079</u>
<b>TOTAL CURRENT ASSETS</b>	<u>9,514,950</u>
<b>NON-CURRENT ASSETS:</b>	
Land and construction in progress	3,344,521
Other capital assets, net of depreciation	<u>12,824,857</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>16,169,378</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions	<u>1,720,296</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,720,296</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 27,404,624</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued liabilities	\$ 411,100
Accrued interest payable	8,470
Due to NYS retirement	103,452
Bond anticipation note payable	1,000,000
Current portion of bonds payable	<u>300,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,823,022</u>
<b>NON-CURRENT LIABILITIES:</b>	
Proportionate share of net pension liability	651,466
Compensated absences	1,341,361
Post employment benefits other than pensions	2,333,371
Bonds payable	<u>450,000</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>4,776,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions	<u>1,493,398</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,493,398</u>
<b>NET POSITION</b>	
Net investment in capital assets	14,419,378
Restricted:	3,721,217
Unrestricted	<u>1,171,411</u>
<b>TOTAL NET POSITION</b>	<u>19,312,006</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 27,404,624</u>

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
General government	\$ 1,804,747	\$ 54,235	\$ -	\$ -	\$ (1,750,512)
Justice court	204,092	213,005	3,137	-	12,050
Public safety	4,761,840	509,724	-	-	(4,252,116)
Transportation	2,830,826	-	-	318,450	(2,512,376)
Culture and recreation	860,208	529,878	-	-	(330,330)
Home and community services	123,532	-	-	-	(123,532)
Interest on long-term debt	56,524	-	-	-	(56,524)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 10,641,769</b>	<b>\$ 1,306,842</b>	<b>\$ 3,137</b>	<b>\$ 318,450</b>	<b>(9,013,340)</b>

GENERAL REVENUES:

Real property taxes	8,264,200
Non-property tax items	212,353
Unrestricted investment earnings	67,429
Premium on BAN	13,951
State aid	258,254
Miscellaneous	63,952
Gain on capital asset dispositions	31
<b>TOTAL GENERAL REVENUES</b>	<b>8,880,170</b>
<b>CHANGE IN NET POSITION</b>	<b>(133,170)</b>
NET POSITION - BEGINNING (AS RESTATED)	19,445,176
NET POSITION - ENDING	\$ 19,312,006

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
GOVERNMENTAL FUNDS BALANCE SHEETS  
MAY 31, 2018

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL
<b>ASSETS:</b>				
Cash - unrestricted	\$ 4,387,437	\$ 90,234	\$ 1,227,162	\$ 5,704,833
Cash - restricted	1,163,455	753,522	1,804,240	3,721,217
Accounts receivable	5,607	-	-	5,607
Due from other funds	13,450	-	-	13,450
Due from fiduciary fund	13,079	-	-	13,079
Due from other governments	69,349	-	-	69,349
Tax sale certificates	865	-	-	865
<b>TOTAL ASSETS</b>	<b>\$ 5,653,242</b>	<b>\$ 843,756</b>	<b>\$ 3,031,402</b>	<b>\$ 9,528,400</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 78,936	\$ 90,234	213,712	\$ 382,882
Accrued liabilities	22,555	-	-	22,555
Due to other funds	-	-	13,450	13,450
Due to NYS retirement	103,452	-	-	103,452
Due to other governments	5,664	-	-	5,664
Bond anticipation note payable	-	-	1,000,000	1,000,000
<b>TOTAL LIABILITIES</b>	<b>210,607</b>	<b>90,234</b>	<b>1,227,162</b>	<b>1,528,003</b>
<b>FUND BALANCES:</b>				
Restricted:				
Parking trust	-	54,276	-	54,276
Parkland trust	-	699,246	-	699,246
Capital reserve	-	-	1,804,240	1,804,240
Employee benefit reserve	1,163,455	-	-	1,163,455
Assigned fund balances:				
Appropriated fund balance	350,000	-	-	350,000
Encumbrances	77,165	-	-	77,165
Unassigned fund balance	3,852,015	-	-	3,852,015
<b>TOTAL FUND BALANCES</b>	<b>5,442,635</b>	<b>753,522</b>	<b>1,804,240</b>	<b>8,000,397</b>
<b>TOTAL LIABILITIES, DEFERRED INFLows AND FUND BALANCES</b>	<b>\$ 5,653,242</b>	<b>\$ 843,756</b>	<b>\$ 3,031,402</b>	<b>\$ 9,528,400</b>

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
MAY 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCE		\$	8,000,397
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			16,169,378
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.			(8,469)
Long term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet:			
Serial bonds	(750,000)		
Compensated absences	(1,341,361)		
Other post employment benefits	<u>(2,333,371)</u>		(4,424,732)
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	1,720,296		
Deferred inflows of resources	(1,493,398)		
Net pension liability - Employees' Retirement System	<u>(651,466)</u>		(424,568)
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u>19,312,006</u>

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MAY 31, 2018**

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL FUND	TOTAL
<b>REVENUES:</b>				
Real property taxes	\$ 8,264,200	\$ -	\$ -	\$ 8,264,200
Other tax items	114,101	-	-	114,101
Non-property tax items	98,252	-	-	98,252
Departmental income	665,018	-	-	665,018
Licenses and permits	428,819	-	-	428,819
Intergovernmental charges	15,000	-	-	15,000
Use of money and property	55,951	6,872	4,607	67,430
Fines and forfeitures	213,005	-	-	213,005
Sale of property and compensation for loss	5,037	-	-	5,037
Refund of prior year expenditures	47,638	-	-	47,638
Miscellaneous local sources	1,314	-	-	1,314
State aid	579,842	-	-	579,842
<b>TOTAL REVENUES</b>	<b>10,488,177</b>	<b>6,872</b>	<b>4,607</b>	<b>10,499,656</b>
<b>EXPENDITURES:</b>				
General government support	1,572,651	-	-	1,572,651
Public safety	2,833,818	-	-	2,833,818
Transportation	1,699,448	-	342,315	2,041,763
Culture and recreation	321,462	171,594	531,825	1,024,881
Home and community services	148,551	-	-	148,551
Employee benefits	2,480,774	-	-	2,480,774
Debt Service:				
Principal	300,000	-	-	300,000
Interest	57,587	-	-	57,587
<b>TOTAL EXPENDITURES</b>	<b>9,414,291</b>	<b>171,594</b>	<b>874,140</b>	<b>10,460,025</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,073,886</b>	<b>(164,722)</b>	<b>(869,533)</b>	<b>39,631</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premiums on debt issued	-	-	13,951	13,951
Transfers in	-	-	1,050,000	1,050,000
Transfers out	(1,050,000)	-	-	(1,050,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,050,000)</b>	<b>-</b>	<b>1,063,951</b>	<b>13,951</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>23,886</b>	<b>(164,722)</b>	<b>194,418</b>	<b>53,582</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>5,418,749</b>	<b>918,244</b>	<b>1,609,822</b>	<b>7,946,815</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 5,442,635</b>	<b>\$ 753,522</b>	<b>\$ 1,804,240</b>	<b>\$ 8,000,397</b>

See independent auditors' report and notes to the financial statements

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	53,582
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 position, 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.		960,793
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(826,076)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		300,000
The net effect of various transactions involving capital assets (i.e. retirements and sales) is to (decrease) net position.		(5,006)
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.		1,063
On the 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.		(448,063)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Changes in Long-term Compensated Absences		(130,207)
Changes in the Village's proportionate share of pension liabilities have no effect on current financial resources and therefore are not reported in the governmental funds. In addition, changes to the Village's deferred outflows and inflows related to pensions do not affect current financial resources and are also not reported in the governmental funds.		
Deferred outflows of resources	507,469	
Deferred inflows of resources	(1,215,813)	
Net pension liability - Employees Retirement Systems	669,088	(39,256)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(133,170)

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION  
MAY 31, 2018

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	<u>AGENCY FUNDS</u>
<b>ASSETS:</b>	
Cash	\$ 85,988
<b>TOTAL ASSETS</b>	<u>\$ 85,988</u>
<b>LIABILITIES:</b>	
Deposits held	\$ 72,909
Due to governmental funds	<u>13,079</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 85,988</u>

See independent auditors' report and notes to the financial statements

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies**

**A. Organization**

The Incorporated Village of Westhampton Beach (the "Village") was incorporated in 1928. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, police, justice court, roads and highways, building department, beach, community beautification, community development, marina and dock.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies established in GAAP and used by the Village are described below.

**B. Financial Reporting Entity**

The Incorporated Village of Westhampton Beach 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 governmental activities and function/programs performed for the Incorporated Village of Westhampton Beach 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 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 transactions 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 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 WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**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. Special Revenue fund is used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue fund of the Village includes the Parkland Trust, which is used to account for activities related to improvements and land acquisitions for the parks. In addition the special revenue fund includes the Parking Trust, which is used to account for activities related to improvements and collections for parking lots.
3. Capital fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of major capital assets.

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 fund:

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.

**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.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except that:

- 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.

**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 31<sup>st</sup>, the budget officer prepares estimates for each administrative unit.
- b. No later than March 31<sup>st</sup>, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1<sup>st</sup>. This tentative budget includes proposed expenditures and the means of financing for the general fund.
- c. A public hearing is conducted by the Board of Trustees to obtain comments.
- d. No later than May 1<sup>st</sup>, the Board of Trustees adopts the budget of the Incorporated Village of Westhampton Beach.

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 deposit with financial institutions is collateralized in accordance with state's statutes.

**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 recognized as earned. No allowance for uncollectible accounts has been recorded since it is believed that such allowance would not be material.

**H. Prepaid Items**

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

**I. 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).

See independent auditors' report.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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.

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.

**J. 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 \$5,000 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 are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Land improvements	20 years
Infrastructure	10-50 years
Structures	20-40 years
Vehicles and equipment	8-10 years
Machinery and equipment	5-15 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, 2018, the Village has not recorded any such impairment losses.

**K. Collections in Advance**

Collections in advance represent a liability for fees which pertain to services that will be provided by the Village in the next fiscal year.

**L. Grant Advances**

Grant advances represent a liability for grant revenues collected in advance of eligible grant expenditures.

**M. Deferred Inflows and Deferred Outflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position 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 type of item which qualifies for reporting in this category. This is related to pension transactions reported in the government-wide statement of net position. This represents the difference between expected and actual experience, and the changes in proportion and differences between employer contributions and proportionate share of contributions.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies** (continued)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports one item that qualifies for reporting in this category. This is related to pension transactions reported in the government-wide statement of net position. This represents the difference between expected and actual experience, changes of assumptions, 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.

**N. Compensated Absences**

Compensated absences of the Village consists of vacation 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.

As of May 31, 2018, the estimated value of the accumulated vacation and sick leave totaled \$1,341,361. The Village has set aside reserves of \$1,163,455 for this liability, which is recorded in the Employee Benefit Fund in the General Fund.

**O. 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.

**P. 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.

**Q. 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, *Accounting and Financial Reporting by Employers for Post-employment 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 WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies** (continued)

**R. Short-Term Debt**

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

**S. 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.

**T. 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 No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. Restricted reserves currently in use by the Village include the following:

Parking Trust – the parking trust reserve fund reports funds which are restricted by Village Law Section 13-300 for activities related to improvements and collections for parking lots.

Parkland Trust – the reserve for parkland trust reports funds which are restricted by General Municipal Law Section 6-1 for capital expenditures related to parks, playgrounds and recreational designated areas.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**Governmental Fund Statements (continued)**

Capital Reserves – the capital reserve funds include the Building, Fire Department, Highway and Police Department Reserves. These reserves accumulate monies for future capital outlay. These reserves were established pursuant to General Municipal Law Section 6-d.

Employee Benefit Reserve – this reserve is the accumulation of funds which are restricted for 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 was established pursuant to General Municipal Law Section 6-p.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance may include an amount appropriated to partially fund the subsequent year's budget and may also include 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 authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available 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.

**U. Newly Adopted Accounting Principles**

Effective June 1, 2017, the Village implemented 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 provisions of this adoption had no material effect on the financial statements.

Effective June 1, 2017, the Village implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. This Statement replaces GASB Statement No. 43 and expands certain note disclosures and requires certain postemployment benefits to be reported in a government's fiduciary funds. The provisions of this adoption had no effect on the financial statements.

Effective June 1, 2017, the Village implemented GASB 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. The provisions of this adoption had no material effect on the financial statements.

See independent auditors' report.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 1. Summary of Significant Accounting Policies** (continued)

**U. Newly Adopted Accounting Principles** (continued)

Effective June 1, 2017, the Village implemented GASB 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. The provisions of this adoption had no material effect on the financial statements.

Effective June 1, 2017, the Village implemented GASB 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. The provisions of this adoption had no material effect on the financial statements.

**V. Prior Period Adjustment**

During the year ended May 31, 2018, the following affected the beginning net position of the Village’s financial statements:

An adjustment was made to correct a prior year understatement of the other postemployment benefits liability	\$ 446,933
An adjustment was made to reflect the effects of correcting a prior year overstatement of capital assets	<u>182,754</u>
Total prior period adjustment on the Statement of Activities	<u>\$ 629,687</u>

The prior year adjustment was shown as a decrease to the beginning net position on the Statement of Activities

**Note 2. Cash and Investments**

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 FDIC-insured commercial banks or trust companies located within the state. The Village 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 the 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.

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. These investments are highly liquid and considered to be cash equivalents. The pool is authorized to invest in various securities issued by the United States and its agencies. The Village’s share of investment at May 31, 2018 was \$230,261. 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.

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**Note 2. Cash and Investments** (continued)

Total investments of the cooperative as of June 30, 2018 were \$988,442,544, which consisted of \$213,214,386 in repurchase agreements and \$775,228,258 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 2018, available at:

[https://www.newyorkclass.org/uploads/NYCLASS%202017%20Annual%20Report\\_FINAL.pdf](https://www.newyorkclass.org/uploads/NYCLASS%202017%20Annual%20Report_FINAL.pdf)

Bank balances for the Village’s cash at May 31, 2018 consisted of:

Checking - interest bearing	\$ 4,747,654
Checking - non-interest bearing	4,554,213
Savings - interest bearing	42,434
CLASS accounts - interest bearing	<u>230,261</u>
Total balances	<u>\$ 9,574,562</u>
Amount FDIC insured	\$ 567,483
Collateral held by Village's custodial banks	8,776,818
CLASS accounts	<u>230,261</u>
	<u>\$ 9,574,562</u>

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.

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.

At May 31, 2018 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.

**Note 3. 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).

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**Note 3. Budget Basis of Accounting (continued)**

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 additional appropriations of \$1,029,230.

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 4. Real Property Taxes**

Real property taxes are levied annually no later than May 15<sup>th</sup> and become a lien on the first day of the levy year. Taxes are collected during the period June 1<sup>st</sup> to July 1<sup>st</sup> 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 5. Interfund Receivables, Payables and Transfers**

Interfund receivables and payables - At May 31, 2018, the statements of the Village include a net of balances due to/from other funds in the amount of \$13,079 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	\$ 13,079
General fund	Capital Projects fund	13,450
Total - fund financial statements		<u>26,529</u>
Less: fund eliminations		<u>(13,450)</u>
Total net interfund balances - government-wide statement of net position		<u>\$ 13,079</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, 2018, is as follows:

<u>Receiving fund</u>	<u>Paying fund</u>	<u>Amount</u>
Capital Projects fund	General fund	\$ 1,050,000
Total - fund financial statements		<u>\$ 1,050,000</u>

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**Note 6. Changes in Capital Assets**

A summary of capital assets transactions for the year ended May 31, 2018 is as follows:

	Beginning Balance*	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 3,344,521	\$ -	\$ -	\$ 3,344,521
Construction in progress	887,813	-	(887,813)	-
Total Non-Depreciable Capital Assets	<u>4,232,334</u>	<u>-</u>	<u>(887,813)</u>	<u>3,344,521</u>
<b>Depreciable Capital Assets:</b>				
Land improvements	3,412,221	-	-	3,412,221
Infrastructure	13,993,643	328,745	-	14,322,388
Structures	6,786,252	1,340,981	-	8,127,233
Machinery and equipment	537,172	83,793	(40,993)	579,972
Vehicles and equipment	1,399,530	96,888	-	1,496,418
Total Depreciable Capital Assets	<u>26,128,818</u>	<u>1,850,407</u>	<u>(40,993)</u>	<u>27,938,232</u>
<b>Accumulated Depreciation:</b>				
Land improvements	2,878,364	108,324	-	2,986,688
Infrastructure	8,030,357	355,665	-	8,386,022
Structures	2,195,977	204,344	-	2,400,321
Machinery and equipment	432,730	20,528	(35,987)	417,271
Vehicles and equipment	785,858	137,215	-	923,073
Total Accumulated Depreciation	<u>14,323,286</u>	<u>\$ 826,076</u>	<u>\$ (35,987)</u>	<u>15,113,375</u>
Depreciable Capital Assets Net of Accumulated Depreciation	<u>11,805,532</u>			<u>12,824,857</u>
Total Net Capital Assets	<u>\$ 16,037,866</u>			<u>\$ 16,169,378</u>

\*Beginning balance adjusted for prior period adjustment see Note 1-V.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 155,820
Police and fire department	57,241
Roads and highways	491,671
Beaches, parks and recreation	121,344
Total governmental activities depreciation expense	<u>\$ 826,076</u>

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**Note 7. Short-Term Debt**

Liabilities for Bond Anticipation Notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each twelve month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. .

The following is an analysis of short-term debt outstanding at May 31, 2018:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Capital Fund:						
BAN	5/23/2018	2.00%	\$ -	\$ 1,250,000	\$ (1,250,000)	\$ -
BAN	5/22/2019	2.75%	-	1,000,000	-	1,000,000
Total Bond Anticipation Notes			-	2,250,000	(1,250,000)	1,000,000

**Note 8. Long Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended May 31, 2018.

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in one year</u>
Serial bonds	\$ 1,050,000	\$ -	\$ 300,000	\$ 750,000	\$ 300,000
Net pension liability	1,320,554	-	669,088	651,466	-
Compensated absences	1,211,154	130,207	-	1,341,361	-
Other post-employment benefits	1,885,308	1,044,666	596,603	2,333,371	-
Totals	\$ 5,467,016	\$ 1,174,873	\$ 1,565,691	\$ 5,076,198	\$ 300,000

\*Beginning balance adjusted for prior period adjustment see Note 1-V.

Increases and decreases to compensated absences are shown net since it is impractical to determine these items separately.

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

Serial 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 these 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 and revenue bonds:

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**Note 8. Long Term Liabilities (continued)**

Description of Issue	Original Issue	Issued Date	Final Maturity Date	Interest Rate	Balance Outstanding
Six Corners property	\$ 1,400,000	2/1/2003	2/1/2022	4.00%-4.25%	\$ 300,000
Village hall	2,950,000	12/1/2003	9/1/2019	3.38%-3.75%	450,000
					<u>\$ 750,000</u>

Future principal and interest payments to maturity are as follows:

Years ending May 31,	Principal	Interest	Total
2019	\$ 300,000	\$ 25,416	\$ 325,416
2020	300,000	13,781	313,781
2021	75,000	6,375	81,375
2022	75,000	3,178	78,178
Total	<u>\$ 750,000</u>	<u>\$ 48,750</u>	<u>\$ 798,750</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, 2018, \$1,341,361 of such benefits have been earned and vested. Of this amount, \$1,163,455 has been funded and is reported in the general fund as employee benefit reserve.

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

**Note 9. 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 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 (the "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](http://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.

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**Note 9. Pension Plans** (continued)

**Funding Policy**

The NYSLRS is noncontributory for employees who joined the New York State and Local Employees' Retirement System before July 27, 1976. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 (ERS) and January 9, 2010 (PFRS) and before April 1, 2012 are required to contribute 3% of their salary throughout their active membership. Those joining on or after April 1, 2012 (both ERS and PFRS) are required to contribute between 3% and 6%, depending upon their salary, throughout their active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Village is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were equal to 100% of the contributions required and were as follows:

	ERS	PFRS
2018	\$ 284,254	\$ 418,264
2017	257,170	383,996
2016	342,275	293,674

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

At May 31, 2018, the Village reported a liability of \$651,466 for its proportionate share of the net pension liability for both of the NYSLRS plans. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. 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:

	ERS	PFRS
Actuarial valuation date	April 1, 2017	April 1, 2017
Net pension liability	169,300	482,166
Village's portion of the Plan's total net pension expense	0.0052456%	0.0477035%

For the year ended May 31, 2018 the Village recognized pension expense of \$268,259 for ERS and \$462,796 for PFRS. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**Note 9. Pension Plans (continued)**

	Deferred Outflows		Deferred Inflows	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 60,383	\$ 198,455	\$ 49,898	\$ 128,123
Changes of assumptions	112,259	365,328	-	-
Net differences between projected and actual investment earnings on pension plan investments	245,893	390,257	485,368	785,957
Changes in proportion and differences between employer contributions and proportionate share of contributions	178,434	65,835	4,271	39,781
Village's contributions subsequent to the measurement date	37,971	65,481	-	-
<b>Total</b>	<b>\$ 634,940</b>	<b>\$ 1,085,356</b>	<b>\$ 539,537</b>	<b>\$ 953,861</b>

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, 2018. Other amounts reported as the net balance of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	ERS	PFRS
2019	\$ 99,827	\$ 107,574
2020	78,384	96,553
2021	(86,487)	(103,767)
2022	(34,292)	(60,381)
2023	-	26,056
Thereafter	-	-
	<b>\$ 57,432</b>	<b>\$ 66,035</b>

**Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

	ERS	PFRS
Investment rate of return	7.00%	7.00%
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%

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

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**Note 9. Pension Plans (continued)**

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 weighing 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, 2018 (for both ERS and PFRS) are summarized below:

Asset Type	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-indexed bonds	4.00%	1.25%
	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 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 the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that 1% point lower (6.0%) or 1% point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumptions (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
Village's proportionate share of the net pension liability/(asset)	\$ 1,280,958	\$ 169,300	\$ (771,121)
<b>PFRS</b>			
Village's proportionate share of the net pension liability/(asset)	\$ 2,361,782	\$ 482,166	\$ (1,094,390)

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**Note 9. Pension Plans (continued)**

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2018, 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	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	180,173,145	31,903,666	212,076,811
Employers' net pension assets/(liability)	<u>\$ (3,227,445)</u>	<u>\$ (1,010,757)</u>	<u>\$ (4,238,202)</u>
Ratio of plan net position to the employers' total pension liability	98.2%	96.9%	98.0%

ERS and PFRS employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Contributions as of May 31, 2018 represent the projected employer contribution for the period of April 1, 2017 through March 31, 2018 based on estimated ERS and PFRS wages, multiplied by the employer's contribution rate, by tier.

**Note 10. Other Post-Employment Benefits - (OPEB)**

**Plan Description**

The Village sponsors a single employer healthcare 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 Plan provides a specified percentage of the retiree health premium (and, if applicable, the retiree's spouse's premium) charged by the insurance carrier that is paid by the Village. Beginning June 1, 2010, retired participants are provided with health coverage under the Empire Plan. Within the Empire Plan, family and individual options are available.

Upon retirement of currently active employees, the Village will pay 100% of the Empire premium and will reimburse 100% of the Medicare Part B premium for all employees and the employee's spouse, if applicable. Upon death of the retiree, the Village continues to pay the Empire premium and reimburse the Medicare Part B premium for surviving spouses, although surviving spouses must contribute 25% of the medical insurance cost.

Coverage for medical insurance includes prescription drug coverage as part of the medical plan. Dental and vision benefits are offered and subsidized by the village for police retiring after 2005.

At this time there is no New York State 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 a projected pay-as-you-go financing requirement. The contribution requirements of Plan members and the Village are established by the Board of Trustees. For the year ended May 31, 2018, the Village recognized a general fund expenditure of \$596,603 for currently enrolled retirees.

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**Note 10. Other Post-Employment Benefits - (OPEB) (continued)**

**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 employer (ARC). The Village has elected to calculate the ARC and related information using the projected unit credit cost 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 not to exceed 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 retirees:

Annual required contribution	\$ 600,581
Interest on net OPEB obligation	57,535
Adjustment to annual required contribution	<u>386,550</u>
Annual OPEB cost (expense)	1,044,666
Contributions made	<u>(596,603)</u>
Change in net OPEB obligation	<u>448,063</u>
Net OPEB obligation - beginning of year	1,438,375
Prior period adjustment*	<u>446,933</u>
Net OPEB obligation - beginning of year (as adjusted)	<u>1,885,308</u>
Net OPEB obligation - end of year	<u><u>\$ 2,333,371</u></u>

\*See Note 1.V.

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

Year Ended	Annual Required Contribution	Annual OPEB Cost	OPEB Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	\$ 600,581	\$ 1,044,666	\$ 596,603	57%	\$ 2,333,371
2017	\$ 600,581	\$ 595,750	\$ 546,185	92%	\$ 1,438,375
2016	\$ 600,581	\$ 1,021,724	\$ 497,746	49%	\$ 1,388,810

**Funding Status and Funding Progress**

As of June 1, 2015, the last valuation date, the actuarial accrued liability for benefits was \$16,981,533, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,107,379, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.46.

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.

See independent auditors' report.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 10. Other Post-Employment Benefits - (OPEB) (continued)**

**Methods and Assumptions**

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

For the May 31, 2016 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%.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at May 31, 2018, is twenty-one years.

**Note 11. Commitments and Contingencies**

**Federal and State Grants**

The Village is a recipient of a number of federal and state grants. These grants are administered 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 rules and regulation of the respective agency for each grant.

**Tax Certiorari**

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

**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 12. Subsequent Events**

The Village has evaluated events and transactions that occurred through November 28, 2018 which is the date the financial statements were issued, for possible disclosure and recognition in the financial statements.

**Note 13. Recent Accounting Principles**

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Standard enhances accounting and financial reporting for postemployment benefits ("OPEBs"). In addition it replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* by establishing new guidance. The requirements of this standard are effective for the Village beginning 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 reporting periods beginning after June 15, 2018.

See independent auditors' report.

**INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK – STATE OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

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**Note 13. Recent Accounting Pronouncements** (continued)

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 reporting periods beginning after December 15, 2018.

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 reporting periods 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 reporting periods 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 reporting periods beginning after December 15, 2019.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard will improve the information disclosed in the notes to the financial statements related to indebtedness and clarifies liabilities that arise from contractual obligations. The requirements of this standard are effective for the Village beginning after June 15, 2018.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard will establish accounting requirements for interest cost incurred before the end of a construction period that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this standard are effective for the Village beginning after December 15, 2019.

The Village is currently evaluating the impact, if any, of the above pronouncements.

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
 COUNTY OF SUFFOLK - STATE OF NEW YORK  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUND  
 MAY 31, 2018

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>Parkland Trust</u>	<u>Parking Trust</u>	<u>Total</u>
<b>ASSETS :</b>			
Cash	\$ 789,480	\$ 54,276	\$ 843,756
<b>TOTAL ASSETS</b>	<u>\$ 789,480</u>	<u>\$ 54,276</u>	<u>\$ 843,756</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 90,234	\$ -	\$ 90,234
<b>TOTAL LIABILITIES</b>	<u>90,234</u>	<u>-</u>	<u>90,234</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Fund Balances:			
Restricted			
Parkland trust	699,246	-	699,246
Parking trust	-	54,276	54,276
Total Fund Balance	<u>699,246</u>	<u>54,276</u>	<u>753,522</u>
<b>TOTAL LIABILITIES AND     FUND BALANCE</b>	<u>\$ 789,480</u>	<u>\$ 54,276</u>	<u>\$ 843,756</u>

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED MAY 31, 2018

	GOVERNMENTAL FUND TYPES		
	Parkland Trust	Parking Trust	Total
<b>REVENUES:</b>			
Interest earnings	\$ 6,266	\$ 606	\$ 6,872
TOTA REVENUES	6,266	606	6,872
<b>EXPENDITURES:</b>			
Culture and recreation	171,594	-	171,594
TOTAL EXPENDITURES	171,594	-	171,594
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(165,328)	606	(164,722)
FUND BALANCE - BEGINNING OF THE YEAR	864,574	53,670	918,244
FUND BALANCE - END OF THE YEAR	\$ 699,246	\$ 54,276	\$ 753,522

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (Unaudited)  
FOR THE YEAR ENDED MAY 31, 2018

	Original Budget	Modified Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Real property taxes	\$ 8,321,204	\$ 8,321,204	\$ 8,264,200		\$ (57,004)
Other tax items	90,301	90,301	114,101		23,800
Non-property tax items	90,000	90,000	98,252		8,252
Departmental income	564,150	564,150	665,018		100,868
Licenses and permits	369,750	369,750	428,819		59,069
Intergovernmental charges	15,000	15,000	15,000		-
Use of money and property	24,350	24,350	55,951		31,601
Fines and forfeitures	106,000	156,753	213,005		56,252
Sale of property and compensation for loss	-	-	5,037		5,037
Refund of prior year expenditures	25,600	25,600	47,638		22,038
Miscellaneous local sources	-	-	1,314		1,314
State aid	319,930	319,930	579,842		259,912
Federal aid	83,000	83,000	-		(83,000)
<b>TOTAL REVENUES</b>	<b>10,009,285</b>	<b>10,060,038</b>	<b>\$ 10,488,177</b>		<b>\$ 428,139</b>
<b>OTHER FINANCING SOURCES:</b>					
Appropriated fund balance	350,000	1,379,230			
Appropriated reserves	-	386,546			
Prior year encumbrances	33,300	33,300			
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 10,392,585</b>	<b>\$ 11,859,114</b>			
<b>EXPENDITURES:</b>					
General government support	\$ 1,966,398	\$ 1,914,047	\$ 1,572,651	\$ 768	\$ 340,628
Public safety	2,977,869	3,494,399	2,833,818	76,397	584,184
Transportation	1,695,298	1,704,042	1,699,448	-	4,594
Culture and recreation	360,470	367,382	321,462	-	45,920
Home and community services	192,400	198,094	148,551	-	49,543
Employee benefits	2,763,950	2,763,950	2,480,774	-	283,176
Debt service					
Principal	300,000	300,000	300,000	-	-
Interest	37,200	67,200	57,587	-	9,613
<b>TOTAL EXPENDITURES</b>	<b>10,293,585</b>	<b>10,809,114</b>	<b>9,414,291</b>	<b>77,165</b>	<b>1,317,658</b>
<b>OTHER FINANCING USES:</b>					
Transfers out	100,000	1,050,000	1,050,000	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 10,393,585</b>	<b>\$ 11,859,114</b>	<b>\$ 10,464,291</b>	<b>\$ 77,165</b>	<b>\$ 1,317,658</b>

See independent auditors' report and notes to the financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
 COUNTY OF SUFFOLK - STATE OF NEW YORK  
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (unaudited)  
 FOR THE YEAR ENDED MAY 31, 2018

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
June 1, 2015	\$ -	\$ 16,981,533	\$ 16,981,533	0.00%	\$ 3,952,998	430%
June 1, 2012	\$ -	\$ 14,426,470	\$ 14,426,470	0.00%	\$ 3,952,998	365%
May 31, 2010	\$ -	\$ 10,202,700	\$ 10,202,700	0.00%	\$ 4,214,992	242%

The next valuation date will be at 6/1/18

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
SCHEDULE OF THE VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (unaudited)  
MAY 31, 2018

NYSLRS Pension Plan	2018	2017	2016
Village's proportion of the net pension liability			
ERS	0.0052456%	0.0045856%	0.0047361%
PFRS	0.0477035%	0.0429247%	0.0445314%
Village's proportionate share of the net pension liability			
ERS	169,300	430,874	760,152
PFRS	482,166	889,680	1,318,480
	651,466	1,320,554	2,078,632
Village's covered-employee payroll			
ERS	1,929,565	1,985,903	1,552,284
PFRS	1,784,512	2,059,825	1,555,095
	3,023,737	3,023,737	3,023,485
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll			
ERS	8.77%	21.70%	48.97%
PFRS	27.02%	43.19%	84.78%
Plan fiduciary net position as a percentage of the total pension liability			
ERS	98.24%	94.70%	90.68%
PFRS	96.93%	93.50%	90.24%

See independent auditors' report and notes to financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
SCHEDULE OF THE VILLAGE'S PENSION CONTRIBUTIONS - ERS (unaudited)  
FOR THE YEARS ENDED MAY 31,

NYSLRS Pension Plan	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 284,254	\$ 257,170	\$ 342,275	\$ 358,018	\$ 357,825	\$ 378,849	\$ 251,479	\$ 201,030	\$ 130,998	\$ 149,139
Contributions in relation to the contractually required contribution	284,254	257,170	342,275	358,018	357,825	378,849	251,479	201,030	130,998	149,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 1,929,565	\$ 1,985,903	\$ 1,552,284	\$ 1,554,986	\$ 1,559,373	\$ 1,632,580	\$ 1,483,214	\$ 1,794,425	\$ 1,823,918	\$ 1,721,290
Contributions as a percentage of covered-employee payroll	14.7%	12.9%	22.0%	23.0%	22.9%	23.2%	17.0%	11.2%	7.2%	8.7%

See independent auditors' report and notes to financial statements

INCORPORATED VILLAGE OF WESTHAMPTON BEACH  
COUNTY OF SUFFOLK - STATE OF NEW YORK  
SCHEDULE OF THE VILLAGE'S PENSION CONTRIBUTIONS - PFRS (unaudited)  
FOR THE YEARS ENDED MAY 31,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
NYSLRS Pension Plan										
Contractually required contribution	\$ 418,264	\$ 383,996	\$ 293,674	\$ 513,014	\$ 474,320	\$ 492,564	\$ 332,632	\$ 316,571	\$ 238,286	\$ 318,521
Contributions in relation to the contractually required contribution	418,264	383,996	293,674	513,014	474,320	492,564	332,632	316,571	238,286	318,521
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered-employee payroll	\$ 1,784,512	\$ 2,059,825	\$ 1,555,095	\$ 1,854,143	\$ 1,780,627	\$ 1,909,467	\$ 1,826,740	\$ 2,030,349	\$ 2,084,955	\$ 2,271,430
Contributions as a percentage of covered-employee payroll	23.4%	18.6%	18.9%	27.7%	26.6%	25.8%	18.2%	15.6%	11.4%	14.0%

See independent auditors' report and notes to financial statements

