



THE HOOK MILL

VILLAGE OF EAST HAMPTON

Settled 1648 - Incorporated 1920

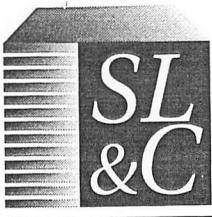
Basic Financial Statements

For the Year Ended July 31, 2014

INCORPORATED VILLAGE OF EAST HAMPTON
Financial Statements and Supplementary Information
For the Year Ended July 31, 2014

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

Certified Public Accountants & Business Advisors

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Trustees
Of the Incorporated Village of East Hampton:

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 East Hampton, New York (the "Village"), as of and for the year ended July 31, 2014 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 East Hampton, as of July 31, 2014 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3, through 11, budgetary comparison schedule on page 41 and the other post-employment benefits plan schedule of funding progress on page 40, be presented to supplement the basic financial statements. Such information, although are not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2014 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Satty, Levine + Ciacco, CPAs, P.C.

SATTY, LEVINE, & CIACCO, CPAs, P.C.
Jericho, New York
December 5, 2014

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

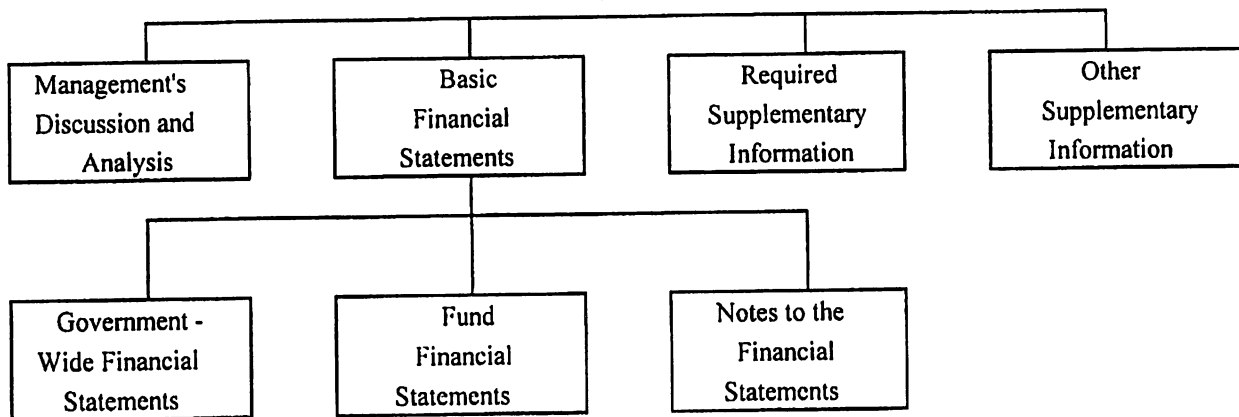
This section of the Village of East Hampton's (the "Village") annual financial report presents a discussion and analysis of the Village's financial performance during the fiscal year ended July 31, 2014. Please read it in conjunction with the Village's financial statements.

1. FINANCIAL HIGHLIGHTS

- The Village's total net position, as reflected in the government-wide financial statements, decreased by \$689,750 (4.45%).
- The Village's general fund balance, as reflected in the fund financial statements, increased by \$641,097 (13.79%).
- Long-term debt of \$8,320,000 decreased from \$9,073,000 due to new bond proceeds of \$3,425,000 and principal payments of \$4,178,000 made during the year. Long-term debt of \$8,320,000 is 2.01% of the statutory limit. Total annual debt service of \$1,130,367 represents 6% of general fund expenditures.
- Under the accrual basis of accounting, the Village is required to record, as a current year expense, the cost of providing health retirement benefits to active and retired employees. During the year ended July 31, 2014 the Village recorded an increase in the net OPEB obligation of \$748,644 relating to these benefits resulting in a total net OPEB obligation of \$2,983,229.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

A. Government-Wide Financial Statements

The government-wide financial statements are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements – the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

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

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds; general fund, capital fund and debt service fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee. All of the Village's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position decreased by \$689,750 between fiscal year 2014 and 2013. A summary of the Village's Statement of Net Position is as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 5,875,020	\$ 5,245,802	\$ 629,218	11.99%
Capital Assets, Net	<u>25,713,136</u>	<u>26,783,919</u>	<u>(1,070,783)</u>	-4.00%
Total Assets	<u>31,588,156</u>	<u>32,029,721</u>	<u>(441,565)</u>	-1.38%
Liabilities:				
Current and Other Liabilities	2,863,012	2,625,038	237,974	9.07%
Long-Term Liabilities	10,943,507	11,681,940	(738,433)	-6.32%
Net Other Postemployment Benefit Obligation	<u>2,983,229</u>	<u>2,234,585</u>	<u>748,644</u>	33.50%
Total Liabilities	<u>16,789,748</u>	<u>16,541,563</u>	<u>248,185</u>	1.50%
Net Position:				
Investment in Capital Assets, Net of Related Debt	17,393,136	17,386,616	6,520	0.04%
Restricted	193,631	568,450	(374,819)	-65.94%
Unrestricted Net Position (Deficit)	<u>(2,788,359)</u>	<u>(2,466,908)</u>	<u>(321,451)</u>	-13.03%
	<u><u>\$ 14,798,408</u></u>	<u><u>\$ 15,488,158</u></u>	<u><u>\$ (689,750)</u></u>	-4.45%

Current and other assets increased by \$629,218, as compared to the prior year. This increase is evidenced by an increase in the Village's Cash balances \$685,000, an increase in Prepaid Expenses of \$14,000, an increase in accounts receivable \$27,000 and a decrease in Due from Other Governments \$96,000.

Capital assets, net decreased by \$1,070,783, as compared to the prior year. This decrease was due to capital additions primarily made through the capital projects fund of \$1,122,624, net of the current year's depreciation expense of \$1,401,544 less the reclassification of construction in progress of \$791,863.

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

Current and other liabilities increased by \$237,974, as compared to the prior year. This increase is primarily due to an increase in accounts payable \$207,000, due to retirement system of \$3,600 and collections in advance \$114,000 and a decrease in accrued interest \$42,500 and retainage \$44,000.

Long-term liabilities decreased by \$738,433, as compared to the prior year. This decrease is primarily due to the current year bond principal payments \$4,178,000, BAN payments \$324,000, a net increase in the compensated absences liability \$339,000 and an increase in bonds payable \$3,425,000. The increase in bonds payable is due to an advance refunding of debt in the current year. The Village issued \$3,425,000 in general obligation bonds to advance refund \$2,680,000 of outstanding 2003 Series bonds and \$675,000 of outstanding 2006 Series bonds.

Net other postemployment benefits (OPEB) increased by \$748,644 as compared to the prior year. This increase was the result of the current year unfunded OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying notes to the financial statements, Note 14 "Post-Employment Benefits" provides additional information.

The net assets invested in capital assets, net of related debt, relates to the investment in capital assets at cost such as: land, construction in progress, buildings, artwork, land improvements, machinery and equipment, furniture and fixtures, and infrastructure, net of depreciation and related debt. This number increased over the prior year by \$6,520 as follows:

	Increase (Decrease)
Capital Asset Additions Financed by Local	
Source Revenues	\$ 330.762
Net Bond Anticipation Notes (BANs) Redeemed	324.302
Net Construction Bonds Principal Payments Made	753.000
Depreciation Expense	<u>(1,401.544)</u>
	<u>\$ 6.520</u>

The restricted amount of \$193,631 represents the Village's insurance and capital projects reserves. This number decreased from the prior year by \$374,819 mainly due to the payment of the BAN of \$324,302 and \$42 of interest income.

The unrestricted deficit of \$(2,788,359) represents the deficit net position as a result of unfunded compensated absences and OPEB obligations. This amount increased from the prior year by \$321,451.

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

B. Changes in Net Position

Government activities. Government activities decreased the Village's assets by \$689,750. Expenses for the year exceeded revenues by this amount. The following table indicates the changes in net position for governmental activities:

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges For Services	\$ 6,508,130	\$ 6,463,725	\$ 44,405	0.69%
General Revenues				
Property Taxes	12,030,376	11,705,474	324,902	2.78%
Utilities Gross Receipts Tax	155,401	146,177	9,224	6.31%
Franchise Fee	114,357	116,690	(2,333)	-2.00%
Mortgage Tax	617,380	527,211	90,169	17.10%
Unrestricted Investment Earnings	14,254	21,552	(7,298)	-33.86%
Insurance Recoveries	29,817	234,721	(204,904)	-87.30%
Federal, State, Local Sources	457,396	564,726	(107,330)	-19.01%
Gain (Loss) on Sale/Retirement of Capital Assets	-	(62,865)	62,865	-100.00%
Miscellaneous	2,501	18,033	(15,532)	-86.13%
Total Revenues	<u>19,929,612</u>	<u>19,735,444</u>	<u>194,168</u>	0.98%
Expenses				
General Government Support	3,908,804	3,902,488	6,316	0.16%
Public Safety	11,670,571	10,697,272	973,299	9.10%
Health	148,076	102,933	45,143	43.86%
Transportation	2,048,295	1,986,974	61,321	3.09%
Culture and Recreation	1,421,518	1,133,383	288,135	25.42%
Home and Community Services	1,087,246	1,129,682	(42,436)	-3.76%
Debt Services - Interest	334,852	263,166	71,686	27.24%
Total Expenses	<u>20,619,362</u>	<u>19,215,898</u>	<u>1,403,464</u>	7.30%
Increase (Decrease) in Net Position	<u>\$ (689,750)</u>	<u>\$ 519,546</u>	<u>\$ (1,209,296)</u>	-232.76%

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

The Village's net position decreased by \$689,750 and increased by \$519,546 for the years ended July 31, 2014 and 2013, respectively.

The Village's revenues increased by \$194,168 (.98%). This increase is due to the net effect of an increase in charges for services \$44,000, real property taxes \$325,000, mortgage tax \$90,000, gain (loss) on sale of capital assets \$63,000, a decrease in insurance recoveries \$205,000, Federal, state and local source income \$107,000, and miscellaneous income \$15,000.

The Village's expenses increased by \$1,403,464 (7.30%). The increase was mainly the result of a net increase in general government support \$6,000, public safety \$973,000, health \$45,000, transportation \$61,000, culture and recreation \$288,000, debt service interest \$72,000, and a decrease in home and community service \$42,000.

Business-type activities. The Village does not have any business type activities.

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At July 31, 2014, the Village's governmental funds reported a combined fund balance of \$5,317,180, which is an increase of \$790,426 from the prior year. A summary of the change in fund balance is as follows:

	2014	2013	Changes
Nonspendable:			
Prepaid Expenses	\$ 230,824	\$ 217,010	\$ 13,814
Restricted:			
Insurance	93,053	93,023	30
Capital Projects	28,678	79,661	(50,983)
Assigned:			
Appropriated Fund Balance	600,000	600,000	-
Unappropriated Fund Balance	128,031	201,638	(73,607)
Unassigned: Fund Balance	4,236,594	3,335,422	901,172
Total Fund Balance	<u>\$ 5,317,180</u>	<u>\$ 4,526,754</u>	<u>\$ 790,426</u>

The net change in the governmental fund-fund balance is an increase of \$790,426, as revenues and other sources of \$20,043,416 exceeded expenditures and other uses of \$19,252,990 mainly due to less capital projects expenditures in the current year. In 2013, the net change was an increase of \$3,025,369.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2013-2014 Budget

The Village's general fund adopted budget for the year ended July 31, 2014 was \$19,185,184. This amount was increased by encumbrances carried forward from the prior year in the amount of \$71,870 and prior year surplus of \$500,000 for a total budget of \$19,757,054.

The budget was funded through a combination of revenues and designated fund balance. The major funding sources were real property taxes \$11,986,677, intergovernmental charges \$2,604,707, use of money and property \$1,120,650 and licenses and permits \$1,467,000.

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior year's excess revenues over expenditures, net transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,665,502
Revenues Over Budget	858,217
Expenditures and Encumbrances Under Budget	226,719
Prepaid Expenses	(13,814)
Interest Transferred Into Reserves	(30)
Appropriated for July 31, 2014 Budget	<u>(500,000)</u>
Closing - Unassigned Fund Balance	<u><u>\$ 4,236,594</u></u>

Opening – Unassigned Fund Balance

The \$3,665,502 shown in the table is the portion of the Village's July 31, 2013, fund balance that was retained as undesignated fund balance.

Revenues Over Budget

The 2013-2014 final budgets for revenues were \$19,185,184. Actual revenues received for the year were \$20,043,401. The excess of actual revenue over estimated or budgeted revenue was \$858,217. This excess is primarily due to the Village receiving additional Federal aid \$205,000, State aid \$200,000, departmental income \$125,000, and licenses and permits of \$326,000.

Expenditures and Encumbrances Under Budget

The 2013-2014 final budget for expenditures, including prior year encumbrances and budget revisions as of July 31, 2014, was \$19,757,054. Actual expenditures as of July 31, 2014, were \$19,402,304 and outstanding encumbrances were \$128,031. Combined, the expenditures plus encumbrances for 2013-2014 were \$19,530,335. The final budget was under expended by \$226,719. This under expenditure contributes to the change to the undersigned portion of the general fund balance from August 1, 2014 to July 31, 2015. The under expenditure is principally within the employee benefits code within the budget.

Prepaid Expenses

Prepaid expenses are a current use of resources, however, they relate to a period beyond the current fiscal year and, therefore, decrease the unassigned portion of the general fund-fund balance.

Interest Transferred Into Reserves

Revenues such as interest earned in a general fund reserve increases the reserve and, therefore, decreases the undesignated portion of the general fund – fund balance. \$30 of interest was earned in the Insurance Reserve.

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

Assigned – Appropriated Fund Balance

The Village has chosen to use \$500,000 of its available July 31, 2014, fund balance to partially fund its 2013-2014 operating budget. As such, the unassigned portion of the July 31, 2014, fund balance must be reduced by this amount.

Closing – Unassigned Fund Balance

Based upon the summary of changes shown in the above table, the unassigned fund balance at July 31, 2014 is \$4,236,594. This is an increase of \$571,092 from the unassigned fund balance as of July 31, 2013.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Village's investment in capital assets for its governmental activities includes land, artwork, infrastructure, buildings and equipment. The net decrease in the Village's investment in capital assets was due to depreciation in excess of capital asset additions for the year ended July 31, 2014. A summary of the Village's capital assets, net of depreciation at July 31, 2014 and 2013 is as follows:

	2014	2013	Increase (Decrease)
Land	\$ 8,504,562	\$ 8,504,562	\$ -
Buildings	7,669,917	7,279,040	390,877
Land Improvements	831,036	897,731	(66,695)
Machinery and Equipment	2,473,038	2,600,267	(127,229)
Furniture and Fixtures	38,794	38,704	90
Artwork	371,200	371,200	-
Infrastructure	5,824,589	6,300,552	(475,963)
Construction in Progress	-	791,863	(791,863)
Total Capital Assets, Net	<u>\$ 25,713,136</u>	<u>\$ 26,783,919</u>	<u>\$ (1,070,783)</u>

B. Short-Term Debt

At July 31, 2014, the Village did not have any bond anticipation notes (BAN's) outstanding. BAN's were issued in the prior year for Village improvements in anticipation of issuing bonds. The decrease in outstanding BAN's represented payments of short-term debt during the year ended July 31, 2014. A summary of the outstanding short-term debt at July 31, 2014 and 2013 is as follows:

Issue Date	Interest Rate	2014	2013	Increase (Decrease)
6/28/2013	1.00%	<u>\$ -</u>	<u>\$ 324,302</u>	<u>(324,302)</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Management's Discussion and Analysis (Unaudited)
For the Year Ended July 31, 2014

C. Long-Term Debt

At July 31, 2014, the Village had total bonds payable of \$8,320,000. The bonds were issued for Village improvements. The decrease in outstanding debt represents the pay down of prior year bonds and the advanced refunding of the 2003 and 2006 bond issues. A summary of the outstanding long-term debt at July 31, 2014 and 2013 is as follows:

Issue Date	Interest Rate	2014	2013	Increase (Decrease)
3/12/2003	3.500 - 4.000%	\$ -	\$ 2,920,000	\$ (2,920,000)
4/1/2006	3.75%	250,000	1,100,000	(850,000)
11/1/2008	4.500 - 4.750%	1,575,000	1,775,000	(200,000)
7/18/2013	2.000 - 4.125%	3,070,000	3,278,000	(208,000)
6/27/2014	1.000 - 2.250%	3,425,000	-	3,425,000
		<u>\$ 8,320,000</u>	<u>\$ 9,073,000</u>	<u>\$ (753,000)</u>

The Village's latest credit rating from Moody's Investors Services is an Aa1. The Village's total outstanding indebtedness is significantly less than its debt limit. The debt limit is 7% of its five-year valuation of the taxable real property within the Village.

On June 27, 2014, the Village issued \$3,425,000 in general obligation bonds to advance refund \$2,680,000 of outstanding 2003 Series bonds and \$675,000 of outstanding 2006 Series bonds. The 2003 and 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long term debt account group.

7. Economic Factors and Next Year's Budget and Rates

The 2014-2015 budget appropriations are \$550,681 (2.8%) more than the current year's budget and reflect increased revenue expectations and the positive variance in the current year's expenditures to budget. Every major category of the appropriations budget is about equal to the prior year. Revenue other than property taxes is expected to increase by \$170,000 (2.4%). This is the result of increases in rents of \$30,000, parking fees \$10,000, building permit fees \$60,000, police fees \$5,000, zoning board fees \$5,000, mortgage tax \$10,000, Chips \$18,000, and services provided to fire districts for emergency communications \$27,000. Property tax collections will increase by \$280,000, approximately 2.4%. The economy has stabilized with small increases in economic based revenue anticipated in the coming year.

8. Contacting the Village's Financial Management

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Any questions about this report or need for any additional information should be directed to:

Rebecca Molinaro
Village Administrator
Incorporated Village of East Hampton
86 Main Street
East Hampton, New York 11937

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Net Position
July 31, 2014

ASSETS

Cash	\$ 4,859,978
Restricted Cash	193,631
Accounts Receivable	127,654
Prepaid Expenses	230,824
Due From Other Governments	462,933
Capital Assets Not Being Depreciated	8,875,762
Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>16,837,374</u>
Total Assets	<u><u>\$ 31,588,156</u></u>

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 536,946
Accrued Bond Interest	38,126
Due to Retirement System	644,814
Unearned Credits:	
Collections in Advance	1,643,126
Long-Term Liabilities:	
Due and Payable Within One Year	
Bonds Payable	835,000
Compensated Absences	131,175
Due and Payable After One Year	
Bonds Payable	7,485,000
Compensated Absences	2,492,332
Net Other Postemployment Benefits Obligation	<u>2,983,229</u>
Total Liabilities	<u><u>16,789,748</u></u>

NET POSITION

Net Investment in Capital Assets	17,393,136
Restricted	193,631
Unrestricted Net Position (Deficit)	<u>(2,788,359)</u>
Total Net Position	<u><u>\$ 14,798,408</u></u>

INCORPORATED VILLAGE OF EAST HAMPTON

Statement of Activities

For the Year Ended July 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PROGRAMS / FUNCTIONS					
General Government Support	\$ 3,908,804	\$ 112	\$ 15,691	\$	\$ (3,893,001)
Public Safety	11,670,571	5,213,776	71,183	370,522	(6,015,090)
Health	148,076	960			(147,116)
Transportation	2,048,295	-			(2,048,295)
Culture and Recreation	1,421,518	1,239,967			(181,551)
Home and Community Service	1,087,246	53,315			(1,033,931)
Debt Service - Interest	334,852	-			(334,852)
Total Programs and Functions	<u>\$ 20,619,362</u>	<u>\$ 6,508,130</u>	<u>\$ 86,874</u>	<u>\$ 370,522</u>	<u>(13,653,836)</u>

GENERAL REVENUES

Taxes:	
Property Taxes, Levied for General Purposes	12,030,376
Utilities Gross Receipts Tax	155,401
Franchise Taxes	114,357
Insurance Recoveries	29,817
Mortgage Tax	617,380
Miscellaneous	2,501
Unrestricted Investment Earnings	<u>14,254</u>
Total General Revenues	<u>12,964,086</u>
Change in Net Position	(689,750)
Net Position - Beginning of Year	<u>15,488,158</u>
Net Position - End of Year	<u>\$ 14,798,408</u>

INCORPORATED VILLAGE OF EAST HAMPTON

Balance Sheet Governmental Funds July 31, 2014

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash	\$ 4,859,978	\$	\$	\$ 4,859,978
Restricted Cash	93,053	100,578		193,631
Accounts Receivable	106,760			106,760
Due From Other Governments	462,933			462,933
Prepaid Expenses	230,824			230,824
Total Assets	<u>\$ 5,753,548</u>	<u>\$ 100,578</u>	<u>\$ -</u>	<u>\$ 5,854,126</u>
LIABILITIES				
Accounts Payable	<u>\$ 465,046</u>	<u>\$ 71,900</u>	<u>\$</u>	<u>\$ 536,946</u>
Total Liabilities	<u>465,046</u>	<u>71,900</u>	<u>\$ -</u>	<u>536,946</u>
FUND BALANCES				
Nonspendable: Prepaid Expenses	230,824			230,824
Restricted:				
Insurance	93,053			93,053
Capital		28,678		28,678
Assigned:				
Appropriated	600,000			600,000
Encumbrances	128,031			128,031
Unassigned: Fund balance	4,236,594			4,236,594
Total Fund Balances	<u>5,288,502</u>	<u>28,678</u>	<u>\$ -</u>	<u>5,317,180</u>
Total Liabilities and Fund Balances	<u>\$ 5,753,548</u>	<u>\$ 100,578</u>	<u>\$ -</u>	<u>\$ 5,854,126</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended July 31, 2014

Total Governmental Fund Balances \$ 5,317,180

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, roads, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 43,536,313	
Accumulated Depreciation	<u>(17,823,177)</u>	25,713,136

Certain accounts receivable are not considered available in the current period and therefore are not reported in the funds	20,894
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued Bond Interest	(38,126)	
Due to Retirement System	(644,814)	
Collections in Advance	(1,643,126)	
Compensated Absences	(2,623,507)	
Bonds Payable	(8,320,000)	
Net Other Postemployment Benefits Obligation	<u>(2,983,229)</u>	<u>(16,252,802)</u>

Total Net Position	<u><u>\$ 14,798,408</u></u>
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INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended July 31, 2014

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Real Property Taxes	\$ 11,921,474	\$	\$	\$ 11,921,474
Payment in Lieu of Taxes	108,902			108,902
Non-Property Taxes	269,652			269,652
Departmental Income	467,524			467,524
Intergovernmental Charges	2,653,646			2,653,646
Use of Money and Property	1,131,378	15		1,131,393
Licenses and Permits	1,792,995			1,792,995
Fines and Forfeitures	488,738			488,738
Sale of Property and Compensation for Loss	32,318			32,318
State and County Aid	869,954			869,954
Federal Aid	204,822			204,822
Miscellaneous	101,998			101,998
Total Revenues	<u>20,043,401</u>	<u>15</u>	<u>-</u>	<u>20,043,416</u>
EXPENDITURES				
General Government	2,527,646			2,527,646
Public Safety	7,035,224			7,035,224
Health	148,076			148,076
Transportation	1,106,678	278,700		1,385,378
Culture and Recreation	842,812	180,500		1,023,312
Home and Community Service	702,211			702,211
Employee Benefits	5,300,776			5,300,776
Debt Service:				
Principal	823,000			823,000
Interest	307,367			307,367
Total Expenditures	<u>18,793,790</u>	<u>459,200</u>	<u>-</u>	<u>19,252,990</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,249,611</u>	<u>(459,185)</u>	<u>-</u>	<u>790,426</u>
OTHER FINANCING SOURCES AND (USES)				
Premium on Bonds			99,877	99,877
Proceeds of Refunding Bonds			3,425,000	3,425,000
Payment to Refunded Bond Escrow Agent			(3,524,877)	(3,524,877)
Operating Transfers In		608,514		608,514
Operating Transfers Out	(608,514)			(608,514)
Total Other Financing Sources and (Uses)	<u>(608,514)</u>	<u>608,514</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	641,097	149,329	-	790,426
Fund Balance (Deficit) - Beginning of Year	4,647,405	(120,651)	-	4,526,754
Fund Balance (Deficit) - End of Year	<u>\$ 5,288,502</u>	<u>\$ 28,678</u>	<u>\$ -</u>	<u>\$ 5,317,180</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended July 31, 2014

Net change in fund balances - total governmental funds \$ 790,426

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital Asset Purchases Capitalized	\$ 330,761	
Depreciation Expense	<u>(1,401,544)</u>	
		(1,070,783)

Unearned credits in the Statement of Activities that provide current financial resources are reported as revenues in the funds:

Increase in Unearned Credits From the Prior Year	(113,910)
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The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. The issuance/repayment increases/decreases long term liabilities in the Statement of Net Position:

Bond Proceeds	(70,000)
Bond Principal Payments	823,000
Premium on Bonds	99,877
Proceeds of Refunding Bonds	3,425,000
Payment to Refunded Bond Escrow Agent	(3,524,877)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds:

(Increase) Decrease From the Prior Year:		
Due to Retirement System	(3,591)	
Accrued Bond Interest	42,515	
Compensated Absences	(338,869)	
Other Postemployment Benefits Obligation	<u>(748,644)</u>	
		(1,048,589)

Some accounts receivable will not be collected for several months after the Village's fiscal year end, they are not considered available revenues in the governmental funds:

Increase in Accounts Receivable From the Prior Year	<u>106</u>
Change in Net Position of Governmental Activities	<u><u>\$ (689,750)</u></u>

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Fiduciary Net Position
Fiduciary Funds
July 31, 2014

	<u>Agency Funds</u>	<u>Employee Retirement Plans</u>	<u>Private Purpose Trust</u>
ASSETS			
Cash	\$ 113,639	\$ 3,093	\$ 48,060
Investments		8,911,391	
Contribution Receivable		<u>250,942</u>	
Total Assets	<u>\$ 113,639</u>	<u>\$ 9,165,426</u>	<u>\$ 48,060</u>
LIABILITIES			
Bid Deposits Payable	\$ 113,639	\$	\$
Held in Trust For Pension Benefits and Other Purposes		<u>9,165,426</u>	<u>48,060</u>
Total Liabilities	<u>\$ 113,639</u>	<u>\$ 9,165,426</u>	<u>\$ 48,060</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended July 31, 2014

	<u>Employee Retirement Plans</u>	<u>Private Purpose Trust</u>
ADDITIONS		
Contributions:		
Employer	\$ 277,776	\$
Plan Members	<u>330,750</u>	<u></u>
Total Contributions	<u>608,526</u>	<u>-</u>
Investment Earnings:		
Net Increase in Fair Value of Investments	579,047	16
Interest, Dividends and Gains/Losses	<u>307,490</u>	<u></u>
Total Investment Earnings	<u>886,537</u>	<u>16</u>
Total Additions	<u>1,495,063</u>	<u>16</u>
DEDUCTIONS		
Benefits	231,901	
Administration Fees	20,859	
Tuition Assistance	<u></u>	<u>6,000</u>
Total Deductions	<u>252,760</u>	<u>6,000</u>
Change in Net Position	1,242,303	(5,984)
Net Position - Beginning of Year	<u>7,923,123</u>	<u>54,044</u>
Net Position - End of Year	<u>\$ 9,165,426</u>	<u>\$ 48,060</u>

INCORPORATED VILLAGE OF EAST HAMPTON

Notes to Basic Financial Statements

July 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of East Hampton (the "Village") have been prepared in conformity 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 establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are as follows:

A. Financial Reporting Entity

The Village is governed by the laws of New York State. The Village is an independent entity governed by an elected Board of Trustees consisting of five members. The President of the Board serves as the chief fiscal officer and the Village Administrator is the chief executive officer. The Board is responsible for, and controls all activities related to the Village. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

B. Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

Fund Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The Village's financial statements reflect the following major fund categories:

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Governmental Funds

General Funds –

General Fund is the main operating fund of the Village. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund –

Capital Projects Fund is used to account for funds received and expended for the construction, renovation, expansion and major improvement of various Village facilities, thoroughfares, arterial streets and drainage improvements, improvements and construction of parks and recreational facilities and acquisition of land and other large nonrecurring projects.

Debt Service Fund –

Debt Service Fund was used to account for the refunding of serial bonds during this current fiscal year.

Fiduciary Funds

Fiduciary Funds are used to account for activities in which the Village acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village, and are not available to be used. There are two classes of fiduciary funds:

Agency Funds –

Agency Funds account for assets held by the Village in 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 bid deposits held by the Village.

Trust Funds –

Employee Retirement Plans –

Non-Expendable Trust Funds report fiduciary resources held in trust and the receipt, investment and distribution of retirement contributions. The Village's Service Awards Program is limited to the Volunteer Fire Department and Volunteer Ambulance Department. See Note 11.

Expendable Trust Funds report fiduciary resources held in trust and the receipt, investment and distribution of retirement contributions. The Village's Deferred Compensation Plan is available to all of the employees of the Village. See Note 12.

Private Purpose Trust –

Private Purpose Trust Funds report fiduciary resources held in trust until the donor restriction on the use is met. Private Purpose Funds consist of scholarship money.

C. Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgetary Control

The Village Charter establishes the fiscal year as the twelve-month period beginning August 1st. The departments submit to the Village Administrator a budget of estimated expenditures for the ensuing fiscal year after which the Village Administrator subsequently submits a budget of estimated expenditures and revenues to the Board of Trustees by May 31st.

Upon receipt of the budget estimates, the Board of Trustees holds a public hearing on the proposed budget. Information about the budget resolution is then published in the official newspaper of the Village.

At least 41 days prior to August 1st, the budget is legally enacted through the adoption of the resolution. The Village Administrator is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

Budgeted amounts are as originally adopted or as amended by the Board of Trustees. Individual amendments that were not material in relation to the original appropriations were adopted by the Board of Trustees.

The Budgetary Comparison Schedule – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

E. Cash and Investments

Cash consists of cash on hand, bank deposits and investments with original maturity dates of three months or less from the date of acquisition.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

INCORPORATED VILLAGE OF EAST HAMPTON

Notes to Basic Financial Statements

July 31, 2014

H. Interfund Transactions

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

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

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

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant or equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 years
Infrastructure	20 years
Machinery and Equipment	5-15 years
Land Improvements	20 years
Furniture and Fixtures	10 years

J. Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Collections in Advance

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

L. Compensated Absences

The Village's policy allows certain employees to accumulate unused sick leave and vacation leave in varying amounts. Employees who have completed one full year of employment are entitled to various amounts of accumulated sick leave and any accumulated vacation upon termination. Sick leave in excess of the 160-day maximum is not paid upon

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

termination, but will be paid only upon illness while in the employ of the Village. Compensated absences at July 31, 2014 amounted to \$2,623,507, an increase of \$338,869 from the prior year.

M. 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 and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village accounts for these post-employment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the General Fund, in the year paid. In the government-wide statements, postemployment costs are measured and disclosed using the accrual basis of accounting.

N. 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.

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

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

Unrestricted – reports all other amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Fund Statements

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

Non-spendable – Consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Village utilized the following non-spendable fund balance:

Prepaid Expenses – prepaid expenses is used to account for current funds that have been spent, but will benefit a future period. Prepaid expenses are accounted for in the general fund.

Restricted - Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restricted fund balances, generally referred to as 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. Fund balance reserves currently in use by the Village include the following:

Insurance Reserve - insurance reserve is primarily reserved and accumulated for the payment of general liability and casualty insurance claims.

Capital Projects Reserve – capital projects reserve is used to pay the cost of any object or purpose for which bonds may be issued.

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

Fund balance classification

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

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

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

Q. Newly Adopted Accounting Principles

Effective March 1, 2013, the Village implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this adoption had no material effect on the financial statements.

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Effective March 1, 2013, the Village adopted, GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this adoption had no material effect on the financial statements.

R. Subsequent Events

Management has evaluated subsequent events through November 10, 2014, the date the financial statements were available to be issued.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS

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 government funds.

A. Total Fund Balances of Governmental Funds vs Net Position of Governmental Activities

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

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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 for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted. There were no supplemental appropriations during the current fiscal year.

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.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year.

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

None of the Village's aggregated bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year-end.

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

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Investment Pool

The Village participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, 119-O whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the cooperative as of year-end are \$171,745,301, which consisted of \$40,128,906 in U.S. Treasury Securities, \$25,176,297 in repurchase agreements, \$5,093,100 in municipal bonds, \$8,500,000 in certificate deposits and \$92,846,998 in collateralized bank deposit with various interest rate and due dates.

The amount of \$622,922 is included as cash in the following funds:

	Unrestricted Cash	Restricted Cash	Total
General Fund	\$ 381,231	\$ 93,053	\$ 474,284
Capital Projects Fund		100,578	100,578
Trust and Agency Fund	48,060		48,060
Total	<u>\$ 429,291</u>	<u>\$ 193,631</u>	<u>\$ 622,922</u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of the Cooperative Liquid Asset Securities System (CLASS), which may be obtained from MBIA Municipal Investors Service Corp., 113 King Street, Armonk, NY 10504.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from other governments at July 31, 2014 consists of:

Federal and State Aid	\$ 73,100
East Hampton Town - Fees	9,415
Justice Court - Fees	142,757
Sag Harbor Village - Communication Services	50,833
Suffolk County - Mortgage Tax	<u>186,828</u>
Total Due from Other Governments	<u>\$ 462,933</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended July 31, 2014 were as follows:

	Balance August 1, 2013	Additions	Adjustments/ Reductions	Balance July 31, 2014
Capital Assets Not Being Depreciated				
Land	\$ 8,504,562	\$	\$	\$ 8,504,562
Artwork	371,200			371,200
Construction in Progress	791,863		(791,863)	-
Total Capital Assets Not Being Depreciated	9,667,625	-	(791,863)	8,875,762
Capital Assets Being Depreciated				
Buildings	10,871,656	646,790		11,518,446
Land Improvements	1,631,530	7,533		1,639,063
Machinery and Equipment	9,001,263	377,618	(273,346)	9,105,535
Furniture and Fixtures	138,507	9,803	(1,041)	147,269
Infrastructure	12,169,358	80,880		12,250,238
Total Capital Assets Being Depreciated	33,812,314	1,122,624	(274,387)	34,660,551
Less Accumulated Depreciation for:				
Buildings	(3,592,616)	(255,913)		(3,848,529)
Land Improvements	(733,799)	(74,228)		(808,027)
Machinery and Equipment	(6,400,996)	(505,263)	273,762	(6,632,497)
Furniture and Fixtures	(99,803)	(9,297)	625	(108,475)
Infrastructure	(5,868,806)	(556,843)		(6,425,649)
Total Accumulated Depreciation	(16,696,020)	(1,401,544)	274,387	(17,823,177)
Total Assets Being Depreciated, Net	17,116,294	(278,920)	-	16,837,374
Capital Assets, Net	\$ 26,783,919	\$ (278,920)	\$ (791,863)	\$ 25,713,136

Depreciation expense was charged to governmental functions as follows:

General Government and Administration	\$ 19,773
Public Safety	974,211
Transportation	262,242
Cultural and Recreational	120,581
Home and Community Services	24,737
Total Depreciation Expense	\$ 1,401,544

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

NOTE 7. SHORT-TERM DEBT

Bond Anticipation Notes (BANs)

The Village Issues 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. At July 31, 2014 there were no BAN's outstanding.

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

Interest Paid	\$ 3,234
Less: Interest Accrued in Prior Year	<u>(293)</u>

Total Interest Expenses on Short-Term Debt	<u><u>\$ 2,941</u></u>
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NOTE 8. LONG-TERM DEBT

Bonds Payable

At July 31, 2014 bonds payable consisted of the following individual issues:

2006 General Obligation Bonds, dated April 1, 2006, due in annual installments through October 1, 2015, bearing an interest rate of 3.750%.	\$ 250,000
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2008 General Obligation Bonds, dated November 1, 2008, due in annual installments through November 1, 2022 bearing interest rates of 4.500% to 4.750%.	1,575,000
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2013 General Obligation Bonds, dated July 18, 2013, due in annual installments through June 15, 2032 bearing interest rates of 2.000% to 4.125%.	3,070,000
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2014 General Obligation Bonds, dated June 27, 2014, due in annual installments through October 1, 2022 bearing interest rates of 1.000% to 2.250%.	<u>3,425,000</u>
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Total Bonds Payable	<u><u>\$ 8,320,000</u></u>
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INCORPORATED VILLAGE OF EAST HAMPTON

Notes to Basic Financial Statements

July 31, 2014

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

Interest Paid	\$ 304,133
Less: Interest Accrued in Prior Year	(80,348)
Plus: Interest Accrued in Current Year	38,126
Plus: Interest Paid on Bond Refunding	<u>70,000</u>
Total Interest Expense on Long-Term Debt	<u>\$ 331,911</u>

Transactions for the year ended July 31, 2014 are summarized as follows:

	Balance August 1, 2013	Additions	Reductions	Balance July 31, 2014	Due Within One Year
Long-Term Debt:					
General Obligation Bonds	\$ 9,073,000	\$ 3,425,000	\$ (4,178,000)	\$ 8,320,000	\$ 835,000
Bond Anticipation Notes	324,302		(324,302)	-	-
Other Long-Term Debt:					
Compensated Absences	2,284,638	338,869		2,623,507	131,175
OPEB Obligations	<u>2,234,585</u>	<u>1,276,790</u>	<u>(528,146)</u>	<u>2,983,229</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 13,916,525</u>	<u>\$ 5,040,659</u>	<u>\$ (5,030,448)</u>	<u>\$ 13,926,736</u>	<u>\$ 966,175</u>

The General Fund has typically been used to liquidate other long-term liabilities.

General Obligation Bonds

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Village to rebate excess arbitrage earnings from bond proceeds to the federal government. There were no excess arbitrage earnings for the year ended July 31, 2014.

Advance Refunding of Debt

On June 27, 2014, the Village issued \$3,425,000 in general obligation bonds with an average interest rate of 2.152% to advance refund \$2,680,000 of outstanding 2003 Series bonds with an average interest rate of 3.923% and \$675,000 of outstanding 2006 Series bonds with an average interest rate of 3.863%. The net proceeds of \$3,504,498 (after payment of \$20,379 in underwriting fees, insurance, and other issuance costs, plus a premium of \$99,877) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 and 2006 Series bonds. As a result, the 2003 and 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long term debt account group.

The Village advance refunded the 2003 and 2006 series bonds to reduce its total debt service payments over the next 9 years by approximately \$280,000 and to obtain economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$248,000.

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to July 31, 2014 are as follows:

General Obligation Bonds

Year Ending July 31,	Principal	Interest	Total
2015	\$ 835,000	\$ 208,360	\$ 1,043,360
2016	850,000	202,514	1,052,514
2017	895,000	178,182	1,073,182
2018	840,000	154,057	994,057
2019	850,000	131,144	981,144
2020-2024	3,375,000	334,940	3,709,940
2025-2029	515,000	81,937	596,937
2030-2032	160,000	11,968	171,968
	<u>\$ 8,320,000</u>	<u>\$ 1,303,102</u>	<u>\$ 9,623,102</u>

NOTE 9. COLLECTIONS IN ADVANCE

Revenues collected in advance in the General Fund consist of \$1,643,126 related to beach house rentals to individuals and communication and fire protection services provided to various municipalities.

NOTE 10. PROPERTY TAX

Property tax is levied each August 1st on the assessed (appraised) value listed as of the prior January 1 for all business and personal property located in the Village. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Village. The Town of East Hampton establishes appraised values at 1% for estimated fair market value.

Taxes are due on August 1st, the levy date, and are delinquent after the following September 1st. Tax liens are automatic on September 1st each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (September 1st). The Village usually waits until May 1st at which time the unpaid taxes are sold through a tax sale. As of September 1st, 5% collection costs may be added to all delinquent accounts and an additional 1% collection cost may be added on the first of each month thereafter through April. Current tax collections for the year ended July 31, 2014 were 100.00% of the tax levy.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

As of July 31, 2014, the total outstanding indebtedness of the Village aggregated \$8,320,000. Of this amount, \$8,320,000 was subject to the constitutional debt limit and represented approximately 2.01% of its debt limit.

NOTE 11. PENSION PLANS AND SERVICE AWARD PROGRAMS

A. Pension Plans

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement Systems (PFRS) and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS (Systems). These are cost sharing multiple employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits.

INCORPORATED VILLAGE OF EAST HAMPTON

Notes to Basic Financial Statements

July 31, 2014

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined the System on or after January 1, 2010 (ERS) who contribute 3% of their salary to NYSERS 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 an actuarially determined rate. The Village's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	ERS	PFRS
2014	\$ 929,975	\$ 982,224
2013	875,731	734,041
2012	667,326	977,216

B. Service Award Programs

i. Volunteer Ambulance Department

On July 15, 1997, the Village established a "service award program" for volunteer members of the East Hampton Village Volunteer Ambulance Department. This program is allowed under general municipal law Article 11-A authorizing the establishment of a service award program for volunteer ambulance departments.

The Village acts as the plan sponsor but not the administrator of the program. Assets are held in the name of the New York State Office of Comptroller, Emergency Squad Trust Fund. It is considered to be a "defined benefit" plan and in order to determine the Village's liability an actuarial valuation has been prepared as of December 31, 2013 to determine the required contribution due. The Village funded the program with \$79,808 for the fiscal year ended July 31, 2014. This amount has been recorded in the General Fund as an expense. As of July 31, 2014, the market value of the assets of the plan totaled \$1,101,494. This amount is reflected in the Fiduciary Fund Assets along with corresponding liability to the employees participating in the plan.

ii. Volunteer Fire Department

On June 16, 1992, a general election was held where approval was given to establish a "service award program" for volunteer members of the East Hampton Village Volunteer Fire Department as of August 1, 1992. This program is allowed under general municipal law Article 11-A which was amended in 1987 authorizing the establishment of a service award program for volunteer firefighters. The Village acts as the plan sponsor and administrator of the program. It is considered to be a "defined benefit" plan. In order to determine the Village's liability an actuarial valuation was prepared as of January 1, 2014 to determine the required contribution due. The Village's required contribution to the program was \$250,942 for the fiscal year ended July 31, 2014. This amount has been recorded in the General Fund as an expense.

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Program Description

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of volunteer service prior to December 31, 2006 and \$30 per year thereafter. The number of years of firefighting service used to compute the benefit cannot exceed forty years. Except in the case of disability or death benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

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

The governing board of the sponsor has retained and designated Rebecca Molinaro to assist in the administration of the program. The designated program administrator's functions include processing new and terminated member applications and getting beneficiary information to Merrill Lynch. Disbursements of program assets for the payments of benefits or administrative expenses must be approved by the administrator of the program.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are not held in trust.

Authority to invest program assets is vested in Merrill Lynch. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor's contribution to the plan. The actuary retained by the sponsor for this purpose is William E. Buckheit. Portions of the following information are derived from a report prepared by the actuary dated August 29, 2014.

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Program Financial Condition

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2013	\$ 3,889,852
Less: Assets Available for Benefits	
Cash and Money Market	54,330
Mutual Funds	2,090,028
Fixed Income Securities	308,239
Stocks	974,890
Contribution Receivable	250,942
	<hr/>
Total Net Position Available for Benefits at July 31, 2014	3,678,429
	<hr/>
Total Unfunded Benefits	211,423
Less: Unfunded Liability for Prior Service	-
	<hr/>
Unfunded Normal Benefits	\$ 211,423
	<hr/>

Receipts and Disbursements

Plan Net Position, August 1, 2013	\$ 3,378,222
Changes During the Year:	
Plan Contributions	250,942
Investment Income Earned	103,741
Changes in Fair Market Value of Investments	181,303
Plan Benefit Withdrawals	(235,779)
	<hr/>
	300,207
	<hr/>
Plan Net Position, July 31, 2014	\$ 3,678,429
	<hr/>

Contributions

Amount of Sponsor's Contribution Recommended by Actuary	\$ 250,942
Amount of Sponsor's Actual Contribution	\$ 250,942
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Administration Fees

Fees Paid to Designated Program Administrator	\$ 18,237
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INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the sponsor's contribution is the Attained Age Normal Frozen initial Liability method. The assumptions used by the actuary to determine the sponsor's contribution and the actuarial present values of benefits are:

Assumed rate of return on investment is 7%.

The 1994 Group Annuity Reserve (GAR) Mortality Table is used for pre- and post-entitlement age mortality rate.

NOTE 12. DEFERRED COMPENSATION PLAN

Employees of the Village may elect to participate in the Village Employees Deferred Compensation Plan created in accordance with internal Revenue Code 457. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

As of July 31, 2014, the market value of the assets of the plan totaled \$4,385,503. This amount is reflected in the Fiduciary Fund Assets along with a corresponding liability to the employees participating in the plan.

NOTE 13. INTERFUND BALANCES AND ACTIVITY TRANSFERS

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenses</u>
General Fund	\$ -	\$ -	\$ -	\$ 608,514
Capital Fund	-	-	608,514	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,514</u>	<u>\$ 608,514</u>

Transfers are primarily used to move funds from the General Fund to finance various programs accounted for in the Capital Projects Fund in accordance with budgetary authorizations.

NOTE 14. POST EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits, the Village provides medical and Medicare part B reimbursement to retired employees and their survivors with employment contracts. Substantially all of the Village's employees may become eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through a premium based plan.

Funding Policy

GASB 45 does not require the unfunded liability actually be amortized nor that it be funded, only that the unfunded accrued liability is accounted for and that the Village meets its Annual Required Contributions (ARC). However, if the liability is funded, assets must be transferred to a qualifying irrevocable trust or equivalent arrangement for the exclusive benefit of the plan members and must be protected from creditors.

At this time there is no New York State statute providing local governments with the authority for establishing a post-employment benefits trust. Since the Village cannot fund the Other Post-Employment Benefits (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.

INCORPORATED VILLAGE OF EAST HAMPTON

Notes to Basic Financial Statements

July 31, 2014

For the year ended July 31, 2014, the Village recognized a general fund expenditure of \$528,146 for 45 currently enrolled retirees.

Annual OPEB Cost and Net OPEB Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and 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.

Annual Required Contribution (ARC)	\$ 1,227,683
Interest on Net OPEB Obligation	49,107
Adjustment to ARC	<u>-</u>
Annual OPEB Cost (Expense)	1,276,790
Contributions Made	<u>528,146</u>
Increase in Net OPEB Obligation	748,644
Net OPEB obligation - Beginning of Year	<u>2,234,585</u>
Net OPEB obligation - End of Year	<u>\$ 2,983,229</u>

The Village's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for July 31, 2014, and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contribution	Net OPEB Obligation
7/31/2014	\$ 1,276,790	41.37%	\$ 2,983,229
7/31/2013	1,227,683	39.10%	2,234,585
7/31/2012	1,106,839	45.28%	1,486,936

Funded Status and Funding Progress

As of August 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$13,366,475 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,366,475. The covered payroll (annual payroll of active employees covered by the plan) was \$9,053,998 and the ratio of the UAAL to the covered payroll was 147.6%.

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

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

Actuarial Methods and Assumptions

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

In the August 1, 2012, actuarial valuation, the Projected Unit Credit Cost was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements to an ultimate rate of 5.0% after 4 years and a 4.0% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

NOTE 15. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$600,000 has been appropriated to reduce the amount of funding needed to be raised by real estate taxes for the year ending July 31, 2015.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Risk Management

The Village is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Lawsuits

The Village is subject to a number of lawsuits in the ordinary conduct of its affairs. The Village does not believe, however, that any such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Village.

Grants

The Village has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the Village's administration believes disallowances, if any, will be immaterial.

NOTE 17. ENCUMBRANCES

All encumbrances are classified as either restricted or assigned fund balance. At July 31, 2014, the Village encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	\$	2,787
General Government		69,141
Public Safety		4,471
Health		17,666
Transportation		33,966
Home and Community Service		
	\$	<u>128,031</u>

INCORPORATED VILLAGE OF EAST HAMPTON
Notes to Basic Financial Statements
July 31, 2014

NOTE 18. RECENT ACCOUNTING PRINCIPLES

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

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. GASB No. 67 and No. 68 changes how governments calculate and report the costs and obligations associated with pensions and improve the decision-usefulness of reported pension information and increase the transparency, consistency, and comparability of pension information. Statement No. 67 will take effect for periods beginning after June 15, 2013. Statement No. 68 will take effect for periods beginning after June 15, 2014. The Village does not believe these statements will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2014.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Village does not believe this statement will have a material impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

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

INCORPORATED VILLAGE OF EAST HAMPTON

Other Post-Employment Benefits Plan

Schedule of Funding Progress

For the Year Ended July 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
8/1/2012	\$ -	\$ 13,366,475	\$ 13,366,475	0%	\$ 9,053,998	147.6%
8/1/2009	-	11,383,310	11,383,310	0%	7,986,816	142.5%

INCORPORATED VILLAGE OF EAST HAMPTON

Budgetary Comparison Schedule - General Fund

For the Year Ended July 31, 2014

	Original Budget	Final Budget	Current Year	Over (Under) Final Budget	
REVENUES					
Real Property Taxes	\$ 11,986,677	\$ 11,986,677	\$ 11,921,474	\$ (65,203)	
Payment in Lieu of Taxes	85,422	85,422	108,902	23,480	
Non-Property Taxes	249,000	249,000	269,652	20,652	
Departmental Income	342,200	342,200	467,524	125,324	
Intergovernmental Charges	2,604,707	2,604,707	2,653,646	48,939	
Use of Money and Property	1,120,650	1,120,650	1,131,378	10,728	
Licenses and Permits	1,467,000	1,467,000	1,792,995	325,995	
Fines and Forfeitures	650,000	650,000	488,738	(161,262)	
Sale of Property and Compensation for Loss	2,700	2,700	32,318	29,618	
State and County Aid	670,828	670,828	869,954	199,126	
Federal Aid	-	-	204,822	204,822	
Miscellaneous	6,000	6,000	101,998	95,998	
Total Revenues	19,185,184	19,185,184	\$ 20,043,401	\$ 858,217	
APPROPRIATED FUND BALANCE					
Prior Years' Surplus	500,000	500,000			
Prior Years' Encumbrances	71,870	71,870			
Total Appropriated Fund Balance	571,870	571,870			
Total Revenues and Appropriated Fund Balance	\$ 19,757,054	\$ 19,757,054			
	Original Budget	Final Budget	Current Year	Encumbrances	(Over) Under Final Budget
EXPENDITURES					
General Government	\$ 2,643,102	\$ 2,554,504	\$ 2,527,646	\$ 2,787	\$ 24,071
Public Safety	6,875,009	7,124,729	7,035,224	69,141	20,364
Health	146,903	156,316	148,076	4,471	3,769
Transportation	1,325,489	1,204,992	1,106,678	17,666	80,648
Culture and Recreation	967,054	915,170	842,812		72,358
Home and Community Service	770,874	770,157	702,211	33,966	33,980
Employee Benefits	5,388,147	5,482,141	5,300,776		181,365
Debt Service:					
Principal	910,565	823,000	823,000		-
Interest	344,911	307,433	307,367		66
Total Expenditures	19,372,054	19,338,442	18,793,790	128,031	416,621
OTHER USES					
Operating Transfers Out	385,000	418,612	608,514		(189,902)
Total Expenditures and Other Uses	\$ 19,757,054	\$ 19,757,054	19,402,304	\$ 128,031	\$ 226,719
Net Changes in Fund Balances					
			641,097		
Fund balances - Beginning of Year			4,647,405		
Fund balances - End of Year			\$ 5,288,502		

Note to Required Supplementary Information

Budget Basis of Accounting

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



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

Certified Public Accountants & Business Advisors

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

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

To the Honorable Mayor and Board of Trustees

Of the Incorporated Village of East Hampton:

We have audited the financial statements of the governmental activities, and each major fund, of the Incorporated Village of East Hampton, New York (the "Village"), as of and for the year ended July 31, 2014, which collectively comprise the Incorporated Village of East Hampton, New York's basic financial statements and have issued our report thereon dated December 5, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Incorporated Village of East Hampton, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Satty, Levine + Ciacco, CPAs, P.C.

Satty, Levine, & Ciacco, CPAs, P.C.
Jericho, New York
December 5, 2014