



FINANCIAL STATEMENTS
(Regulatory Basis)

AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

May 31, 2016

INCORPORATED VILLAGE OF UPPER BROOKVILLE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Upper Brookville
Oyster Bay, New York

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Upper Brookville, as of and for the year ended May 31, 2016, 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 financial reporting provisions of the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Incorporated Village of Upper Brookville on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Upper Brookville, as of May 31, 2016, and the respective changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Incorporated Village of Upper Brookville, as of May 31, 2016, and the respective changes in financial position for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, “Changes in Accounting Principles”, the Village has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of May 31, 2016. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended May 31, 2015, derived from unaudited financial statements, has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Upper Brookville’s basic financial statements. The other supplementary information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Cullen & Danowski, LLP

November 9, 2016

INCORPORATED VILLAGE OF UPPER BROOKVILLE
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 May 31, 2016

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General	Parkland	Trust & Agency	Non-Current Governmental		2016	2015
				Assets	Liabilities		
ASSETS							
Cash							
Unrestricted	\$ 1,662,655	\$ 95,324	\$ 111,414	\$	\$	\$ 1,869,393	\$ 1,718,331
Restricted	5,460					5,460	5,452
Accounts receivable	9,323					9,323	5,813
Taxes receivable	21,847					21,847	21,825
Due from state and federal	70,128					70,128	16,050
Due from other funds			33,160			33,160	-
Prepays	40,950					40,950	45,616
Capital assets				57,681		57,681	57,681
Provisions to be made in future budgets					126,985	126,985	-
Total Assets	1,810,363	95,324	144,574	57,681	126,985	2,234,927	1,870,768
DEFERRED OUTFLOWS OF RESOURCES							
Pension				107,388		107,388	-
Total Assets and Deferred Outflows of Resources	\$ 1,810,363	\$ 95,324	\$ 144,574	\$ 165,069	\$ 126,985	\$ 2,342,315	\$ 1,870,768
LIABILITIES							
Accounts payable and accrued liabilities	\$ 8,629	\$	\$	\$	\$	\$ 8,629	\$ 2,080
Due to other funds	33,160					33,160	-
Other liabilities	370		144,574			144,944	193,791
Due to employees' retirement system	5,442					5,442	-
Net pension liability - proportionate share					112,723	112,723	-
Total Liabilities	47,601	-	144,574	-	112,723	304,898	195,871
DEFERRED INFLOWS OF RESOURCES							
Deferred revenues	21,792					21,792	21,769
Pension					14,262	14,262	-
Total Deferred Inflows of Resources	21,792	-	-	-	14,262	36,054	21,769
FUND BALANCE							
Investment in non-current governmental assets				165,069		165,069	57,681
Nonspendable: Prepays	40,950					40,950	-
Restricted: Repairs	5,460					5,460	5,452
Assigned:							
Appropriated fund balance	300,000					300,000	-
Designated for litigation	200,000					200,000	-
Unappropriated fund balance		95,324				95,324	
Unassigned: Fund balance	1,194,560					1,194,560	1,589,995
Total Fund Balances	1,740,970	95,324	-	165,069	-	2,001,363	1,653,128
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,810,363	\$ 95,324	\$ 144,574	\$ 165,069	\$ 126,985	\$ 2,342,315	\$ 1,870,768

INCORPORATED VILLAGE OF UPPER BROOKVILLE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL FUND TYPES
For the Year Ended May 31, 2016

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Parkland	2016	2015
REVENUES				
Real property taxes	\$ 3,025,731	\$	\$ 3,025,731	\$ 2,957,884
Other tax items	20,160		20,160	23,008
Non-property tax items	93,692		93,692	86,232
Departmental income	23,416		23,416	13,902
Use of money and property	2,434	145	2,579	2,665
Licenses and permits	281,612		281,612	162,998
Fines and forfeitures	36,630		36,630	34,179
Miscellaneous	5,890		5,890	5,514
State aid	293,313		293,313	96,561
	<u>3,782,878</u>	<u>145</u>	<u>3,783,023</u>	<u>3,382,943</u>
EXPENDITURES				
General government support	230,867		230,867	194,459
Public safety	2,489,453		2,489,453	2,431,963
Transportation	708,284		708,284	459,352
Culture and recreation		2,426	2,426	3,816
Home and community services	5,437		5,437	1,100
Natural resources	4,483		4,483	2,668
Employee benefits	101,226		101,226	115,167
	<u>3,539,750</u>	<u>2,426</u>	<u>3,542,176</u>	<u>3,208,525</u>
Net Change in Fund Balance	243,128	(2,281)	240,847	174,418
Fund Balance - Beginning of Year	<u>1,497,842</u>	<u>97,605</u>	<u>1,595,447</u>	<u>1,421,029</u>
Fund Balance - End of Year	<u>\$ 1,740,970</u>	<u>\$ 95,324</u>	<u>\$ 1,836,294</u>	<u>\$ 1,595,447</u>

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Upper Brookville (Village), as of and for the year ended May 31, 2016, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than 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 GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized as expenditures to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements, management's discussion and analysis and, additional required supplementary information. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) **Financial Reporting Entity**

The Village, which was incorporated in 1932, is governed by the Charter of the State of New York, Village law and other general Laws of the State of New York and various local laws and ordinances. The Village is governed by the Mayor and the Board of Trustees, which is the legislative body responsible for the overall operation of the Village (collectively five members). The Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer of the Village.

The following basic services are provided: general support, public safety including contracted police and fire protection, sanitation, recreation, water, street maintenance and lighting.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

b) **Basis of Presentation**

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB, as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

i) **Governmental Fund Types**

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

- A. **General Fund** - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- B. **Special Revenue Funds** - are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

Parkland Fund - is used to account for special assessments from subdivisions that are specifically assigned for the improvement and conservation of parklands within the Village.

ii) **Fiduciary Fund Types**

Fiduciary Funds - are used to account for funds held by the Village in the capacity of trustee, custodian, or agent.

Trust and Agency Funds - These funds are strictly custodial in nature (assets equal liability) and do not involve the measurement of results of operations. Funds held by the Village represent various guarantee deposits.

iii) **Account Groups**

Account groups are used to establish accounting control and accountability for the Village's non-current governmental assets and non-current governmental liabilities. The account groups are not funds. They are concerned only with the measurement of financial position, and not with the results of operations.

- A. **Non-Current Governmental Assets Account Group** - is used to account for buildings, improvements and equipment owned by the Village. Also included are deferred outflows of resources related to pensions.
- B. **Non-Current Governmental Liabilities Account Group** - is used to account for all long-term debt and other obligations of the Village including bonds, pension and other postemployment benefit obligations, if applicable. Also included are deferred inflows of resources related to pensions.

c) **Measurement Focus and Basis of Accounting**

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on debt, claims and judgments, pension costs, and other postemployment benefits, if applicable, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

d) Use of Estimates

The preparation of the financial statements in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Real Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

f) Interfund Transactions

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

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

A detailed disclosure by individual fund for interfund receivables and payables, is provided subsequently in these Notes to Financial Statements.

g) Cash

Cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves.

h) Receivables

Receivables are shown net of allowance for uncollectible amounts, if any. However, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

i) Prepaid Items

Prepaid items represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate prepaids do not constitute available spendable resources.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

j) Capital Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at estimated historical cost when given. Capital assets are accounted for in the non-current governmental assets account group and are removed when an asset is sold or retired.

No depreciation has been provided on capital assets.

k) Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of fund balance that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources, in the non-current governmental assets account group, relates to pensions and represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system, and the net difference between projected and actual earnings on pension plan investments.

l) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of resources that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. First is deferred revenues reported in the general fund when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, these deferred inflows are reclassified as revenues. The second item is reported in the non-current governmental liabilities account group and consists of changes in the net pension liability not included in pension expense.

m) Short-Term Debt

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the notes. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The Village had no outstanding BAN's at May 31, 2016.

n) Employee Benefits

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacation and sick days must be used in the year earned and cannot be accumulated.

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

o) Equity Classifications

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance relates to prepaid items.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Fund balance classified as restricted by the Village includes the following:

Reserve for Repairs

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Trustees, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as a Board approved designation 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 is 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 either by voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by 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 to the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No.*

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

68. The implementation of the Statements requires the Village to report as a liability its portion of the collective net pension liability in the New York State and Local Employees' Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow and/or inflow for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system not included as pension expense. Also included as deferred outflows, are the Village's contributions to the pension system subsequent to the measurement date.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The Village's budget policies are as follows:

The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.

A public hearing is held on the tentative budget by April 15th. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1st.

All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the current year are increased by the amount of the encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and by the appropriation of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the current year.

Budgets are adopted annually on the modified accrual basis of accounting.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
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- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

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

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

5. DUE FROM STATE AND FEDERAL

Due from state and federal at May 31, 2016, consists of:

Dormitory Authority of the State of New York	\$	50,000
Nassau County - mortgage tax		20,128
	\$	70,128

6. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2016, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$	\$ 33,160
Trust and Agency Fund	33,160	
Total	\$ 33,160	\$ 33,160

7. PREPAIDS

Prepays at May 31, 2016, consisted of:

General Fund		
Fire protection	\$	34,142
Health insurance		5,558
Membership dues		1,250
	\$	40,950

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. CAPITAL ASSETS

A summary of changes in the Village's capital assets is as follows:

	Balance 5/31/2015	Additions	Deletions	Balance 5/31/2016
Buildings	\$ 18,274	\$	\$	\$ 18,274
Machinery & equipment	39,407			39,407
Total	\$ 57,681	\$ -	\$ -	\$ 57,681

9. PENSION PLANS

New York State and Local Employees' Retirement System

a) Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

b) Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

c) Funding Policies

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31st, for the current year and two preceding years was:

Year	ERS
2016	\$ 35,789
2015	43,481
2014	52,192

d) Pension, Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2016, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports delivered to the Village.

Measurement date	March 31, 2016
Village's proportionate share of the net pension liability	\$ 112,723
Village's portion of the Plan's total of the net pension liability	0.0007023%

At May 31, 2016, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 570	\$ 13,361
Changes of assumptions	30,060	
Net difference between projected and actual earnings on pension plan investments	66,873	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	4,443	901
Village's contributions subsequent to the measurement date	5,442	
Total	\$ 107,388	\$ 14,262

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Measurement date		March 31, 2016
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	<u>100.0%</u>	

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate :

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (254,181)	\$ (112,723)	\$ 6,804

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

	<i>Dollars in thousands</i>
Measurement date	March 31, 2016
Employers' total pension liability	\$ (172,303,544)
Plan fiduciary net position	156,253,265
Employers' net pension liability	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	90.68%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2016, represent the projected employer contribution for the period of April 1, 2016 through May 31, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016 amounted to \$5,442 of employer contributions. Employee contributions are remitted monthly.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. DEFERRED REVENUES

Deferred revenues in the amount of \$21,792 consist of real property taxes due to the Village that remain outstanding from prior years and have been deferred due to the uncertainty of the timing of collection.

11. JOINT ACTIVITY CONTRACT

The Incorporated Village of Old Brookville established a Police Department and agreed to furnish police protection for itself and the Incorporated Villages of Brookville, Cove Neck, Matinecock, Mill Neck, and Upper Brookville. The contract has been renewed to May 31, 2017. The transactions of the Joint Police Activity Fund are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for the joint activity.

Significant provisions of the contract are as follows:

- A. The governing body is the Board of Police Commissioners, which is comprised of six members, one from each participating municipality.
- B. The Board of Police Commissioners shall prepare and submit an annual budget to the Mayors of all participating municipalities by March 1 of each year. Each Village shall incorporate such budget, without change, in its tentative budget for filing, budget hearing and adoption, according to Village law.
- C. The Treasurer of Old Brookville shall maintain separate bank accounts to record activity of the Joint Police Activity Fund.
- D. The costs of operation of the Police Department shall be shared in the ratio of their respective assessed valuations as they appear on the assessment rolls of Nassau County. The Village's share of Police costs amounted to \$1,963,875 for the fiscal year ended May 31, 2016.
- E. Accident Liability insurance shall be carried on employees of the Police Department.

12. COMMITMENTS AND CONTINGENCIES

A. Grants

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, will be immaterial.

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2016, which could affect future operating budgets of the Village.

C. Litigation

The Village is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Operating Leases/Related Party

The Village leases its street maintenance equipment from a company whose principal is a Village employee. Lease expenses for the year were \$78,000 and expired in the current year.

13. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 9, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except a resolution for the issuance of bonds as follows:

On August 12, 2016, the Village authorized the issuance of bonds in the principal amount of \$3,000,000 for road improvements in the Village.

INCORPORATED VILLAGE OF UPPER BROOKVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended May 31, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 3,025,781	\$ 3,025,781	\$ 3,025,731	\$ (50)
Other Tax Items	15,000	15,000	20,160	5,160
Non-Property Tax Items	76,718	76,718	93,692	16,974
Departmental Income	5,000	5,000	23,416	18,416
Use of Money and Property	2,000	2,000	2,434	434
Licenses and Permits	135,000	135,000	281,612	146,612
Fines and Forfeitures	25,000	25,000	36,630	11,630
Miscellaneous	1,200	1,200	5,890	4,690
 Total Local Sources	 3,285,699	 3,285,699	 3,489,565	 203,866
State Aid	200,905	200,905	293,313	92,408
 Total Revenues	 3,486,604	 3,486,604	 3,782,878	 \$ 296,274
APPROPRIATED FUND BALANCE				
Prior year's surplus	100,000	100,000		
 Total Revenues and Appropriated Fund Balance	 \$ 3,586,604	 \$ 3,586,604		

INCORPORATED VILLAGE OF UPPER BROOKVILLE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)

For the Year Ended May 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
EXPENDITURES				
General Government Support				
Municipal court	\$ 41,351	\$ 41,351	\$ 40,606	745
Assessment	400	175	175	-
Clerk	84,158	80,784	80,784	-
Attorney	45,500	57,891	57,890	1
Engineer	10,000	328	328	-
Elections	1,300	1,154	1,154	-
Building department	5,000	5,240	5,240	-
Unallocated insurance	20,000	17,397	17,302	95
Municipal association dues	4,000	3,457	3,457	-
Contingency	20,000	23,931	23,931	-
Total General Government Support	<u>231,709</u>	<u>231,708</u>	<u>230,867</u>	<u>841</u>
Public Safety				
Fire protection	416,000	412,485	406,980	5,505
Traffic control	27,000	7,778	7,778	-
Police	1,993,875	1,963,875	1,963,875	-
Safety inspections	106,054	112,388	110,820	1,568
Total Public Safety	<u>2,542,929</u>	<u>2,496,526</u>	<u>2,489,453</u>	<u>7,073</u>
Transportation				
Street maintenance	323,216	352,306	343,521	8,785
Street improvements	305,000	335,275	335,275	-
Snow removal	37,000	20,482	19,368	1,114
Street lighting	10,000	10,120	10,120	-
Total Transportation	<u>675,216</u>	<u>718,183</u>	<u>708,284</u>	<u>9,899</u>
Home and Community Services				
Zoning	2,000	4,800	4,300	500
Planning	500	1,137	1,137	-
Refuse and garbage	1,000	1,000	-	1,000
Total Home and Community Services	<u>3,500</u>	<u>6,937</u>	<u>5,437</u>	<u>1,500</u>
Natural Resources				
Total Natural Resources	<u>10,000</u>	<u>10,000</u>	<u>4,483</u>	<u>5,517</u>
Employee Benefits				
Retirement	42,000	42,000	35,789	6,211
Social security and Medicare	23,000	23,000	21,879	1,121
Worker's compensation	17,000	17,000	12,520	4,480
Unemployment insurance	6,000	6,000	1,760	4,240
Disability	250	250	(28)	278
Medical Insurance	35,000	35,000	29,306	5,694
Total Employee Benefits	<u>123,250</u>	<u>123,250</u>	<u>101,226</u>	<u>22,024</u>
Total Expenditures	<u>\$ 3,586,604</u>	<u>\$ 3,586,604</u>	<u>3,539,750</u>	<u>\$ 46,854</u>
Net Change in Fund Balance			243,128	
Fund Balance - Beginning of Year			<u>1,497,842</u>	
Fund Balance - End of Year			<u>\$ 1,740,970</u>	

