



**FINANCIAL STATEMENTS  
(Regulatory Basis)**

**AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT**

**May 31, 2017**

**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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, as described in Note 1. 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, 2017, 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, 2017, 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.

## **Report on Summarized Comparative Information**

We previously audited the Incorporated Village of Upper Brookville's financial statements for the year ended May 31, 2016, and we expressed an unmodified audit opinion on those financial statements in our report dated November 9, 2016. Those financial statements were prepared 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. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **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, 2017

**INCORPORATED VILLAGE OF UPPER BROOKVILLE**  
**BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
 May 31, 2017

	Governmental Funds				Fiduciary Fund	Account Groups		Totals	
	General	Parkland	Garbage District	Capital Projects	Agency	Non-Current Governmental		Memorandum Only	
						Assets	Liabilities	2017	2016
<b>ASSETS</b>									
Cash									
Unrestricted	\$ 1,567,451	\$ 93,098	\$ 90	\$ 90	\$ 103,808	\$	\$	\$ 1,764,537	\$ 1,869,393
Restricted	5,468							5,468	5,460
Accounts receivable									9,323
Taxes receivable	22,212							22,212	21,847
Due from state and federal	24,679			50,158				74,837	70,128
Due from other governments	3,260							3,260	
Due from other funds	603,295				33,514			636,809	33,160
Prepays	41,611							41,611	40,950
Capital assets						646,523		646,523	57,681
Provision to be made in future budgets							73,394	73,394	126,985
<b>Total Assets</b>	<b>2,267,976</b>	<b>93,098</b>	<b>90</b>	<b>50,248</b>	<b>137,322</b>	<b>646,523</b>	<b>73,394</b>	<b>3,268,651</b>	<b>2,234,927</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Pension						48,091		48,091	107,388
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,267,976</b>	<b>\$ 93,098</b>	<b>\$ 90</b>	<b>\$ 50,248</b>	<b>\$ 137,322</b>	<b>\$ 694,614</b>	<b>\$ 73,394</b>	<b>\$ 3,316,742</b>	<b>\$ 2,342,315</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 52,738	\$	\$	\$	\$	\$	\$	\$ 52,738	\$ 8,629
Due to other funds	33,514		16,853	586,442				636,809	33,160
Other liabilities	594				137,322			137,916	144,944
Due to employees' retirement system	4,760							4,760	5,442
Net pension liability - proportionate share							61,901	61,901	112,723
<b>Total Liabilities</b>	<b>91,606</b>	<b>-</b>	<b>16,853</b>	<b>586,442</b>	<b>137,322</b>	<b>-</b>	<b>61,901</b>	<b>894,124</b>	<b>304,898</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred revenues	22,156							22,156	21,792
Pension							11,493	11,493	14,262
<b>Total Deferred Inflows of Resources</b>	<b>22,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,493</b>	<b>33,649</b>	<b>36,054</b>
<b>FUND BALANCE</b>									
Investment in non-current governmental assets						694,614		694,614	165,069
Nonspendable: Prepays	41,611							41,611	40,950
Restricted: Repairs	5,468							5,468	5,460
Assigned:									
Appropriated fund balance									300,000
Designated for litigation	200,000							200,000	200,000
Unappropriated fund balance		93,098						93,098	95,324
Unassigned: Fund balance (deficit)	1,907,135		(16,763)	(536,194)				1,354,178	1,194,560
<b>Total Fund Balances (Deficit)</b>	<b>2,154,214</b>	<b>93,098</b>	<b>(16,763)</b>	<b>(536,194)</b>	<b>-</b>	<b>694,614</b>	<b>-</b>	<b>2,388,969</b>	<b>2,001,363</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,267,976</b>	<b>\$ 93,098</b>	<b>\$ 90</b>	<b>\$ 50,248</b>	<b>\$ 137,322</b>	<b>\$ 694,614</b>	<b>\$ 73,394</b>	<b>\$ 3,316,742</b>	<b>\$ 2,342,315</b>

**INCORPORATED VILLAGE OF UPPER BROOKVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ALL FUND TYPES**  
For the Year Ended May 31, 2017

	Governmental Funds				Totals	
	General	Parkland	Garbage District	Capital Projects	Memorandum Only	
					2017	2016
<b>REVENUES</b>						
Real property taxes	\$ 3,184,108	\$	\$	\$	\$ 3,184,108	\$ 3,025,731
Other tax items	35,666				35,666	20,160
Non-property tax items	83,998				83,998	93,692
Departmental income	9,762				9,762	23,416
Use of money and property	3,479	141			3,620	2,579
Licenses and permits	266,279				266,279	281,612
Fines and forfeitures	59,660				59,660	36,630
Miscellaneous	2,851				2,851	5,890
State aid	137,321			50,158	187,479	293,313
<b>Total Revenues</b>	<b>3,783,124</b>	<b>141</b>	<b>-</b>	<b>50,158</b>	<b>3,833,423</b>	<b>3,783,023</b>
<b>EXPENDITURES</b>						
General government support	343,782				343,782	230,867
Public safety	2,579,300				2,579,300	2,489,453
Transportation	310,972			586,352	897,324	708,284
Culture and recreation		2,367			2,367	2,426
Home and community services	4,157		16,763		20,920	5,437
Natural resources	10,748				10,748	4,483
Employee benefits	120,921				120,921	101,226
<b>Total Expenditures</b>	<b>3,369,880</b>	<b>2,367</b>	<b>16,763</b>	<b>586,352</b>	<b>3,975,362</b>	<b>3,542,176</b>
Net Change in Fund Balance	413,244	(2,226)	(16,763)	(536,194)	(141,939)	240,847
Fund Balance - Beginning of Year	1,740,970	95,324			1,836,294	1,595,447
Fund Balance (Deficit) - End of Year	<u>\$ 2,154,214</u>	<u>\$ 93,098</u>	<u>\$ (16,763)</u>	<u>\$ (536,194)</u>	<u>\$ 1,694,355</u>	<u>\$ 1,836,294</u>

**INCORPORATED VILLAGE OF UPPER BROOKVILLE**  
**NOTES TO FINANCIAL STATEMENTS**

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**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, 2017, 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 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:

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

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i) Governmental Funds

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 following are the Village's governmental funds:

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.

Garbage District Fund – is used to account for garbage collection and disposal services provided by a private carter contracted with the Village. The major source of revenue is departmental income.

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.

C. Capital Projects Fund - the capital projects fund is primarily used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

ii) Fiduciary Funds

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

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 primarily for the Village's capital assets and general long-term liabilities. The two account groups are not “funds”. They are accounting entities, not fiscal entities, and 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.



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

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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.

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. Estimates and assumptions are made in a variety of areas including actuarial assumptions and methods underlying pension reporting.

e) Real Property Taxes

Real property taxes are levied no later than May 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. 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.

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

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h) Due From State and Federal/Due From Other Governments

Due from state and federal/due from other governments are comprised of CHIPS reimbursements and mortgage tax revenue. Amounts are anticipated to be collected in full by the Village.

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.

j) Capital Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at acquisition value 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. The capital threshold, the dollar value above which asset acquisitions are added to the capital assets accounts, is \$1,000 for all assets.

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 consists of the Village's proportionate share of changes in the collective net pension liability not included in the collective pension expense and Village's contributions to the pension system subsequent to the measurement date.

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 the Village's proportionate share of changes in the collective net pension liability not included in the collective pension expense.

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

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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 BANs at May 31, 2017.

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) Fund Balance

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. The Village utilizes the following fund balance classifications:

*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, which are recorded 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. 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 includes 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 of available resources.

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

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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 the approved budget or board approved budget revision and then from the assigned fund balance to the extent that there is an appropriation and then to the unassigned fund balance.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

a) 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 15<sup>th</sup>. 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 1<sup>st</sup>.

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.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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

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b) Garbage District Fund

The deficit fund balance in the garbage district fund in the amount of \$16,763 will be eliminated when the Village begins collecting fees for garbage collections.

c) Capital Projects Fund

The deficit fund balance in the capital projects fund in the amount of \$536,194 will be eliminated when the Village obtains permanent financing from the issuance of debt for its current construction projects as approved by the Board of Trustees.

**3. 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:

- 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.

**4. DUE FROM STATE AND FEDERAL**

Due from state and federal at May 31, 2017, consists of:

General Fund		
Nassau County - mortgage tax	\$	24,679
Capital Projects Fund		
State aid - CHIPS		<u>50,158</u>
	\$	<u><u>74,837</u></u>

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

**5. INTERFUND TRANSACTIONS**

Interfund balances at May 31, 2017, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 603,295	\$ 33,514
Garbage District Fund		16,853
Capital Projects Fund		586,442
Agency Fund	33,514	
Total	\$ 636,809	\$ 636,809

**6. PREPAIDS**

Prepays at May 31, 2017, consisted of:

General Fund		
Fire protection	\$ 34,142	
Health insurance	6,219	
Membership dues	1,250	
	\$ 41,611	

**7. CAPITAL ASSETS**

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

	Balance 5/31/2016	Additions	Deletions	Balance 5/31/2017
Buildings	\$ 18,274	\$	\$	\$ 18,274
Machinery & equipment	39,407	2,500		41,907
Infrastructure	-	586,342		586,342
Total	\$ 57,681	\$ 588,842	\$ -	\$ 646,523

**8. LONG-TERM LIABILITIES**

Unissued Debt

On August 12, 2016, the Board of Trustees approved a bond issue not to exceed \$3,000,000 for the construction of improvements to specified roads and other roads in the Village. As of May 31, 2017, no bonds have been issued, work has commenced and expenditures are recorded in the capital projects fund. The expenditures in the capital projects fund are temporarily being financed by general fund loans, which will be repaid with the proceeds from the issuance of debt.

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

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**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 (NYSRSSL). 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. 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 on the NYS Comptroller's at [www.osc.state.ny.us/retire/publications/index.php](http://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 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. 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 31<sup>st</sup>, for the current year and two preceding years was:

Year	ERS
2017	\$ 31,971
2016	35,789
2015	43,481

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

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

At May 31, 2017, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2017. 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 the ERS in reports delivered to the Village.

Measurement date	March 31, 2017
Village's proportionate share of the net pension liability	\$ 61,901
Village's portion of the Plan's total of the net pension liability	0.0006588%
Change in proportion since the prior measurement date	(0.0000435)

At May 31, 2017, the Village reported deferred outflows and inflows of resources related to pensions in the non-current governmental assets and liabilities account groups from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,551	\$ 9,400
Changes of assumptions	21,148	
Net difference between projected and actual earnings on pension plan investments	12,364	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	8,268	2,093
Village's contributions subsequent to the measurement date	4,760	
Total	<u>\$ 48,091</u>	<u>\$ 11,493</u>

**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, 2017
Actuarial valuation date	April 1, 2016
Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%



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

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions were 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, 2017
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.80%
Alternative investments	18.0%	4.00-7.75%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation indexed bonds	4.0%	1.50%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure 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:

	<u>1% Decrease (6.00)%</u>	<u>Current Assumption (7.00)%</u>	<u>1% Increase (8.00)%</u>
Village's proportionate share of the net pension asset (liability)	<u>\$ (197,698)</u>	<u>\$ (61,901)</u>	<u>\$ 52,916</u>

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

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, 2017
Employers' total pension liability	\$ (177,400,586)
Plan fiduciary net position	<u>168,004,363</u>
Employers' net pension liability	<u>\$ (9,396,223)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	94.70%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of May 31, 2017, represent the projected employer contribution for the period of April 1, 2017 through May 31, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2017 amounted to \$4,760 of employer contributions. Employee contributions are remitted monthly.

**10. DEFERRED REVENUES**

Deferred revenues in the amount of \$22,156 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, 2022. 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.

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

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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 \$2,059,662 for the fiscal year ended May 31, 2017.

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, 2017, 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.

**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 the lease expired in the prior year.

**13. SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through the date of the auditor's report, 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.

**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, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 3,187,162	\$ 3,187,162	\$ 3,184,108	\$ (3,054)
Other Tax Items	21,700	21,700	35,666	13,966
Non-Property Tax Items	76,718	76,718	83,998	7,280
Departmental Income	7,000	7,000	9,762	2,762
Use of Money and Property	2,000	2,000	3,479	1,479
Licenses and Permits	165,000	165,000	266,279	101,279
Fines and Forfeitures	20,000	20,000	59,660	39,660
Miscellaneous	1,200	1,200	2,851	1,651
 Total Local Sources	 3,480,780	 3,480,780	 3,645,803	 165,023
State Aid	143,700	143,700	137,321	(6,379)
 Total Revenues	 3,624,480	 3,624,480	 3,783,124	 \$ 158,644
<b>APPROPRIATED FUND BALANCE</b>				
Prior years' surplus	300,000	300,000		
 Total Revenues and Appropriated Fund Balance	 \$ 3,924,480	 \$ 3,924,480		

**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, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES</b>				
<b>General Government Support</b>				
Municipal court	\$ 42,051	\$ 51,765	\$ 42,828	\$ 8,937
Auditor		10,000	10,000	-
Clerk	102,507	123,993	110,960	13,033
Assessment	-	400	131	269
Attorney	47,500	128,915	128,415	500
Engineer	10,000	10,000	357	9,643
Elections	1,500	2,007	2,007	-
Building department	5,300	5,300	4,618	682
Unallocated insurance	20,000	20,000	17,432	2,568
Municipal association dues	4,000	4,000	3,432	568
Judgements and claims	30,000	30,000	23,602	6,398
Total General Government Support	<u>262,858</u>	<u>386,380</u>	<u>343,782</u>	<u>42,598</u>
<b>Public Safety</b>				
Fire protection	419,000	419,000	409,701	9,299
Police	2,059,662	2,059,662	2,059,662	-
Safety inspections	128,365	173,399	109,937	63,462
Total Public Safety	<u>2,607,027</u>	<u>2,652,061</u>	<u>2,579,300</u>	<u>72,761</u>
<b>Transportation</b>				
Street maintenance	366,845	366,845	282,323	84,522
Street improvements	496,000	310,711	-	310,711
Snow removal	37,000	37,000	16,547	20,453
Street lighting	10,000	12,102	12,102	-
Total Transportation	<u>909,845</u>	<u>726,658</u>	<u>310,972</u>	<u>415,686</u>
<b>Natural Resources</b>				
Total Natural Resources	<u>20,000</u>	<u>20,000</u>	<u>10,748</u>	<u>9,252</u>
<b>Home and Community Services</b>				
Zoning	3,500	3,500	2,928	572
Planning	1,000	1,229	1,229	-
Refuse and garbage	1,000	1,000	-	1,000
Total Home and Community Services	<u>5,500</u>	<u>5,729</u>	<u>4,157</u>	<u>1,572</u>
<b>Employee Benefits</b>				
Retirement	35,000	35,000	31,971	3,029
Social security and Medicare	23,000	23,000	17,909	5,091
Worker's compensation	17,000	29,352	29,352	-
Unemployment insurance	6,000	6,000	1,705	4,295
Disability	250	250	(66)	316
Medical insurance	38,000	40,050	40,050	-
Total Employee Benefits	<u>119,250</u>	<u>133,652</u>	<u>120,921</u>	<u>12,731</u>
Total Expenditures	<u>\$ 3,924,480</u>	<u>\$ 3,924,480</u>	<u>3,369,880</u>	<u>\$ 554,600</u>
Net Change in Fund Balance			413,244	
Fund Balance - Beginning of Year			<u>1,740,970</u>	
Fund Balance - End of Year			<u>\$ 2,154,214</u>	

