



FINANCIAL STATEMENTS  
(Regulatory Basis)

AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT

May 31, 2018

**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, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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, 2018, 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, 2018, 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.

## **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 14, 2018

**INCORPORATED VILLAGE OF UPPER BROOKVILLE**  
**BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
 May 31, 2018

	Governmental Funds				Fiduciary Fund	Account Groups		Totals
	General	Parkland	Garbage District	Capital Projects	Agency	Non-Current Governmental Assets	Liabilities	Memorandum Only 2018
<b>ASSETS</b>								
Cash								
Unrestricted	\$ 235,959	\$ 93,574	\$ 42,370	\$ 24,587	\$ 108,872	\$	\$	\$ 505,362
Restricted								
Taxes receivable	34,739							34,739
Accounts receivable	22,058		1,035					23,093
Due from state and federal	23,164			57,560				80,724
Due from other funds				547,406				547,406
Prepays	41,526							41,526
Investments	2,052,437							2,052,437
Capital assets						646,523		646,523
Provision to be made in future budgets							2,017,859	2,017,859
<b>Total Assets</b>	<b>\$ 2,409,883</b>	<b>\$ 93,574</b>	<b>\$ 43,405</b>	<b>\$ 629,553</b>	<b>\$ 108,872</b>	<b>\$ 646,523</b>	<b>\$ 2,017,859</b>	<b>\$ 5,949,669</b>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 62,564	\$	\$ 7,647	\$ 33,315	\$	\$	\$	\$ 103,526
Due to other funds	547,406							547,406
Other liabilities	12,998				108,872			121,870
Due to employees' retirement system	5,719							5,719
Collections in advance	25,000		33,498					58,498
Bonds payable							2,000,000	2,000,000
Net pension liability - proportionate share							17,859	17,859
<b>Total Liabilities</b>	<b>653,687</b>	<b>-</b>	<b>41,145</b>	<b>33,315</b>	<b>108,872</b>	<b>-</b>	<b>2,017,859</b>	<b>2,854,878</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred revenues	34,683							34,683
<b>Total Deferred Inflows of Resources</b>	<b>34,683</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,683</b>
<b>FUND BALANCE</b>								
Investment in non-current governmental assets						646,523		646,523
Nonspendable: Prepays	41,526							41,526
Assigned:								
Designated for litigation	200,000							200,000
Designated for library	5,000							5,000
Unappropriated fund balance		93,574	2,260	596,238				692,072
Unassigned: Fund balance	1,474,987							1,474,987
<b>Total Fund Balances</b>	<b>1,721,513</b>	<b>93,574</b>	<b>2,260</b>	<b>596,238</b>	<b>-</b>	<b>646,523</b>	<b>-</b>	<b>3,060,108</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,409,883</b>	<b>\$ 93,574</b>	<b>\$ 43,405</b>	<b>\$ 629,553</b>	<b>\$ 108,872</b>	<b>\$ 646,523</b>	<b>\$ 2,017,859</b>	<b>\$ 5,949,669</b>

**INCORPORATED VILLAGE OF UPPER BROOKVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ALL FUND TYPES**  
For the Year Ended May 31, 2018

	Governmental Funds				Totals Memorandum Only 2018
	General	Parkland	Garbage District	Capital Projects	
<b>REVENUES</b>					
Real property taxes	\$ 3,053,133	\$	\$	\$	\$ 3,053,133
Other tax items	23,310				23,310
Non-property tax items	93,257				93,257
Departmental income	7,031		87,409		94,440
Use of money and property	13,470	600	218		14,288
Licenses and permits	204,357				204,357
Fines and forfeitures	93,686				93,686
Miscellaneous	57,770				57,770
State aid	129,130			134,779	263,909
<b>Total Revenues</b>	<u>3,675,144</u>	<u>600</u>	<u>87,627</u>	<u>134,779</u>	<u>3,898,150</u>
<b>EXPENDITURES</b>					
General government support	318,392			1,687	320,079
Public safety	2,682,349				2,682,349
Transportation	368,848			1,586,386	1,955,234
Culture and recreation		124			124
Home and community services	20,521		88,616		109,137
Natural resources	3,325				3,325
Employee benefits	108,672				108,672
<b>Total Expenditures</b>	<u>3,502,107</u>	<u>124</u>	<u>88,616</u>	<u>1,588,073</u>	<u>5,178,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>173,037</u>	<u>476</u>	<u>(989)</u>	<u>(1,453,294)</u>	<u>(1,280,770)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of debt - Serial bonds				2,000,000	2,000,000
Operating transfers in			20,012	585,726	605,738
Operating transfers out	(605,738)				(605,738)
<b>Total Other Financing Sources (Uses)</b>	<u>(605,738)</u>	<u>-</u>	<u>20,012</u>	<u>2,585,726</u>	<u>2,000,000</u>
<b>Net Change in Fund Balance</b>	<u>(432,701)</u>	<u>476</u>	<u>19,023</u>	<u>1,132,432</u>	<u>719,230</u>
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>2,154,214</u>	<u>93,098</u>	<u>(16,763)</u>	<u>(536,194)</u>	<u>1,694,355</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,721,513</u>	<u>\$ 93,574</u>	<u>\$ 2,260</u>	<u>\$ 596,238</u>	<u>\$ 2,413,585</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, 2018, 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 includes all funds, functions and organizations over which the Village's Board exercises oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

**B. Basis of Presentation**

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to assist management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The Village records its transactions in the fund types described below:

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

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***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 charges in financial position. The following are the Village's governmental fund types:

***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.

***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.

***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.

***Fiduciary Fund Types***

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.

***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.

***Non-Current Governmental Assets Account Group*** - is used to account for buildings, improvements and equipment owned by the Village.

***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.

**C. Measurement Focus and Basis of Accounting**

The governmental 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



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

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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 / Investments**

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

Investments are reported at fair value, based on quoted market prices.

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

**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.

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

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**I. Prepaids**

Prepaids 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. Collections in Advance**

Collections in advance arise when resources are received by the Village before it has a legal claim to them, or when monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

**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 balance reported in the general fund is for 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.

**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, 2018.

**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.

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

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**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 prepaids, which are recorded 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.

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. Budget Policies**

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.

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

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. The following supplemental appropriations occurred during the current year:

Approved Budget	\$ 3,360,190
Transfer to capital projects fund funded by fund balance	520,012
Additional appropriations funded by restricted fund balance	<u>5,476</u>
 Final Budget	 <u><u>\$ 3,885,678</u></u>

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.

**B. Over Expenditure of a Certain Appropriation**

The general fund appropriation for fire protection was over expended. The general fund budget in total was not over expended.

**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.

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

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 had investments at year-end in the amount of \$2,052,437. This balance consists of United States Treasury Bills maturing May 23, 2019.

**4. DUE FROM STATE AND FEDERAL**

Due from state and federal at May 31, 2018, consists of:

General Fund		
Nassau County - mortgage tax	\$	23,164
Capital Projects Fund		
State aid - CHIPS		<u>57,560</u>
	\$	<u><u>80,724</u></u>

**5. INTERFUND TRANSACTIONS**

Interfund balances at May 31, 2018, are as follows:

	Interfund			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$	\$ 547,406	\$	\$ 605,738
Garbage District Fund			20,012	
Capital Projects Fund	547,406		585,726	
Agency Fund				
Total	<u>\$ 547,406</u>	<u>\$ 547,406</u>	<u>\$ 605,738</u>	<u>\$ 605,738</u>

**6. PREPAIDS**

Prepays at May 31, 2018, consisted of:

General Fund		
Fire protection	\$	33,772
Health insurance		<u>7,754</u>
	\$	<u><u>41,526</u></u>

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

**7. CAPITAL ASSETS**

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

	Balance 5/31/2017	Additions	Deletions	Balance 5/31/2018
Buildings	\$ 18,274	\$	\$	\$ 18,274
Machinery & equipment	41,907			41,907
Infrastructure	586,342			586,342
<b>Total</b>	<b>\$ 646,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 646,523</b>

**8. LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year, excluding pension obligations, are summarized below:

	Balance 5/31/2017	Additions	Reductions	Balance 5/31/2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$	\$2,000,000	\$	\$ 2,000,000	\$ 115,000

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

Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2018
Serial Bonds	1/30/2018	1/15/2033	2.48%	\$ 2,000,000

The following is a summary of maturing debt service requirements for the bonds:

Year Ending May	Principal	Interest	Total
2019	\$ 115,000	\$ 47,533	\$ 162,533
2020	115,000	46,748	161,748
2021	115,000	43,896	158,896
2022	120,000	41,044	161,044
2026	120,000	38,068	158,068
2024-2028	660,000	143,592	803,592
2029-2033	755,000	57,164	812,164
	<b>\$ 2,000,000</b>	<b>\$ 418,045</b>	<b>\$2,418,045</b>

**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. General Information**

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.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended May 31, 2018 was \$29,512.

**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, 2018, the Village reported the following liability for its proportionate share of the net pension liability for ERS, which was measured as of March 31, 2018. 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, 2018
Village's proportionate share of the net pension liability	\$ 17,859
Village's portion of the Plan's total of the net pension liability	0.0005533%
Change in proportion since the prior measurement date	(0.0000011)

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, 2018
Actuarial valuation date	April 1, 2017
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%

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 using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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

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

	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2018
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.55%
Private equities	10.0%	7.50%
Alternative investments	8.0%	3.25-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.5%.

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:

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (135,126)	\$ (17,859)	\$ 81,344

**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, 2018
Employers' total pension liability	\$ (183,400,500)
Plan fiduciary net position	<u>180,173,145</u>
Employers' net pension liability	<u>\$ (3,227,355)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	98.24%

**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, 2018, represent the projected employer contribution for the period of April 1, 2018 through May 31, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2018 amounted to \$5,719 of employer contributions. Employee contributions are remitted monthly.

**10. DEFERRED REVENUES**

Deferred revenues in the amount of \$34,683 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 \$2,140,243 for the fiscal year ended May 31, 2018.
- 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, 2018, 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 a 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, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 3,063,355	\$ 3,063,355	\$ 3,053,133	\$ (10,222)
Other Tax Items	26,700	26,700	23,310	(3,390)
Non-Property Tax Items	76,718	76,718	93,257	16,539
Departmental Income	12,000	12,000	7,031	(4,969)
Use of Money and Property	2,500	2,500	13,470	10,970
Licenses and Permits	290,000	290,000	204,357	(85,643)
Fines and Forfeitures	80,000	80,000	93,686	13,686
Miscellaneous	1,200	1,200	57,770	56,570
 Total Local Sources	 3,552,473	 3,552,473	 3,546,014	 (6,459)
 State Aid	 107,717	 107,717	 129,130	 21,413
 Total Revenues	 3,660,190	 3,660,190	 3,675,144	 \$ 14,954
<b>APPROPRIATED FUND BALANCE</b>				
Prior years' surplus	-	520,012		
Appropriation of reserves	-	5,476		
 Total Appropriated Fund Balance	 -	 525,488		
 Total Revenues and Appropriated Fund Balance	 \$ 3,660,190	 \$ 4,185,678		

**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, 2018

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>EXPENDITURES</b>				
<b>General Government Support</b>				
Municipal court	\$ 30,000	\$ 24,619	\$ 23,756	\$ 863
Legislative board	1,000	632	520	112
Auditor	-	10,000	10,000	-
Clerk	132,178	148,311	132,464	15,847
Assessment	400	400	131	269
Attorney	83,000	112,008	97,871	14,137
Engineer	5,000	5,000	272	4,728
Elections	2,000	1,285	1,074	211
Records management	20,000	7,361	5,635	1,726
Building department	5,500	6,045	6,045	-
Unallocated insurance	18,500	18,500	17,852	648
Municipal association dues	4,000	3,454	3,432	22
Judgements and claims	30,000	20,201	19,340	861
Total General Government Support	<u>331,578</u>	<u>357,816</u>	<u>318,392</u>	<u>39,424</u>
<b>Public Safety</b>				
Police	2,140,243	2,140,243	2,140,243	-
Traffic control	10,000	-	-	-
Fire protection	421,250	409,569	419,851	(10,282)
Safety inspections	111,868	122,527	122,255	272
Total Public Safety	<u>2,683,361</u>	<u>2,672,339</u>	<u>2,682,349</u>	<u>(10,010)</u>
<b>Transportation</b>				
Street maintenance	347,751	344,461	334,899	9,562
Street improvements	-	3,722	560	3,162
Snow removal	23,000	26,879	26,878	1
Street lighting	5,000	6,511	6,511	-
Total Transportation	<u>375,751</u>	<u>381,573</u>	<u>368,848</u>	<u>12,725</u>
<b>Home and Community Services</b>				
Zoning	5,500	11,307	11,307	-
Planning	1,000	9,214	9,214	-
Refuse and garbage	1,000	-	-	-
Total Home and Community Services	<u>7,500</u>	<u>20,521</u>	<u>20,521</u>	<u>-</u>
<b>Culture and Recreation</b>	<u>4,500</u>	<u>622</u>	<u>-</u>	<u>622</u>
<b>Natural Resources</b>	<u>15,000</u>	<u>3,325</u>	<u>3,325</u>	<u>-</u>
<b>Employee Benefits</b>				
Retirement	35,000	28,885	29,517	(632)
Social security and Medicare	23,000	23,000	22,136	864
Worker's compensation	20,000	12,870	12,870	-
Unemployment insurance	2,000	2,000	1,801	199
Disability	250	250	[20]	270
Medical insurance	42,000	42,368	42,368	-
Total Employee Benefits	<u>122,250</u>	<u>109,373</u>	<u>108,672</u>	<u>701</u>
<b>Debt Service</b>				
Interest	40,000	1,017	-	1,017
Total Expenditures	<u>3,579,940</u>	<u>3,546,586</u>	<u>3,502,107</u>	<u>44,479</u>
<b>Other Financing Uses</b>				
Operating transfers out	80,250	639,092	605,738	33,354
Total Expenditures and Other Financing Uses	<u>\$ 3,660,190</u>	<u>\$ 4,185,678</u>	<u>4,107,845</u>	<u>\$ 77,833</u>
Net Change in Fund Balance			(432,701)	
Fund Balance - Beginning of Year			<u>2,154,214</u>	
Fund Balance - End of Year			<u>\$ 1,721,513</u>	

