

**Incorporated Village of  
Lynbrook, New York**

Financial Report

May 31, 2013

# Incorporated Village of Lynbrook, New York

## Financial Report

May 31, 2013

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## **Independent Auditor's Report**

Mayor and Board of Trustees  
Incorporated Village of Lynbrook, New York  
Lynbrook, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental funds, proprietary fund, fiduciary funds, and account groups of the Incorporated Village of Lynbrook, New York (Village) as of and for the year ended May 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's 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 accounting and reporting practices permitted by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Village'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 of the financial statements, the financial statements are prepared by the Village on the basis of accounting and reporting practices permitted by 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 meet the requirements of New York State.

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**

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 each fund of the Village as of May 31, 2013.

### **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental funds, proprietary fund, fiduciary funds and account groups of the Incorporated Village of Lynbrook, New York, as of May 31, 2013, and the changes in financial position, where applicable, for the year then ended in accordance with the accounting and reporting practices permitted by the New York State Office of the State Comptroller described in Note 1.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village’s basic financial statements. The statements of revenues, expenditures, and changes in fund balance - budget and actual - general fund and library fund on pages 25 and 26 are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The statements of revenues, expenditures, and changes in fund balance - budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referenced above is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

SaxBST LLP

New York, New York  
February 10, 2014

## Incorporated Village of Lynbrook, New York

### Balance Sheet - All Fund Types and Account Groups - Regulatory Basis

May 31, 2013

	Total Governmental Funds	Proprietary Fund Type Gas Utility	Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
			Trust and Agency	Private Purpose Trust	Fixed Assets	Long-Term Debt	
<b>ASSETS AND OTHER DEBITS</b>							
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,609,045	\$ 619	\$ 223,422	\$ 48,103	\$ -	\$ -	\$ 13,881,189
Cash with fiscal agents	235,815	-	-	-	-	-	235,815
Cash, restricted	783,818	-	-	-	-	-	783,818
Receivables							
Accounts receivable	370,673	-	4,520	-	-	-	375,193
Taxes receivable	670,256	-	-	-	-	-	670,256
Due from other funds	2,791,859	-	-	-	-	-	2,791,859
Due from state and federal	325,897	-	-	-	-	-	325,897
Prepaid expenditures	8,983	-	-	-	-	-	8,983
Service award program assets	-	-	2,043,690	-	-	-	2,043,690
Capital assets	-	-	-	-	81,433,911	-	81,433,911
<b>OTHER DEBITS</b>							
Amounts to be provided for retirement of long-term debt	-	-	-	-	-	42,422,453	42,422,453
<b>Total assets</b>	<b>\$ 18,796,346</b>	<b>\$ 619</b>	<b>\$ 2,271,632</b>	<b>\$ 48,103</b>	<b>\$ 81,433,911</b>	<b>\$ 42,422,453</b>	<b>\$ 144,973,064</b>
<b>LIABILITIES, OTHER CREDITS, AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 572,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 572,769
Accrued liabilities	1,590,403	-	-	-	-	-	1,590,403
Due to other funds	2,771,371	-	20,488	-	-	-	2,791,859
Unearned revenues	3,426,440	-	-	-	-	-	3,426,440
Installment purchase debt	-	-	-	-	-	3,076,938	3,076,938
Due to employees' retirement systems	-	-	-	-	-	970,742	970,742
Judgments and claims	638,491	-	-	-	-	-	638,491
Other liabilities	158,941	-	207,454	-	-	123,666	490,061
Service award program	-	-	2,043,690	-	-	-	2,043,690
Bonds payable	-	-	-	-	-	23,717,000	23,717,000
Compensated absences	-	-	-	-	-	6,642,152	6,642,152
Other postemployment benefits	-	-	-	-	-	7,891,955	7,891,955
Total liabilities	<u>9,158,415</u>	<u>-</u>	<u>2,271,632</u>	<u>-</u>	<u>-</u>	<u>42,422,453</u>	<u>53,852,500</u>
<b>OTHER CREDITS</b>							
Investment in governmental capital assets	-	-	-	-	81,433,911	-	81,433,911
<b>NET POSITION</b>							
Unrestricted	-	619	-	-	-	-	619
<b>FUND BALANCE</b>							
Nonspendable	8,983	-	-	-	-	-	8,983
Restricted	3,039,440	-	-	48,103	-	-	3,087,543
Assigned	1,528,476	-	-	-	-	-	1,528,476
Unassigned	5,061,032	-	-	-	-	-	5,061,032
Total fund balances	<u>9,637,931</u>	<u>-</u>	<u>-</u>	<u>48,103</u>	<u>-</u>	<u>-</u>	<u>9,686,034</u>
	<b>\$ 18,796,346</b>	<b>\$ 619</b>	<b>\$ 2,271,632</b>	<b>\$ 48,103</b>	<b>\$ 81,433,911</b>	<b>\$ 42,422,453</b>	<b>\$ 144,973,064</b>

# Incorporated Village of Lynbrook, New York

## Statement of Revenues, Expenditures, and Changes in Fund Balance - All Fund Types - Regulatory Basis

	Year Ended May 31, 2013			
	Total Governmental Funds	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
		Gas Utility	Private Purpose Trust	
<b>REVENUES</b>				
Real property taxes	\$ 27,683,961	\$ -	\$ -	\$ 27,683,961
Other tax items	397,775	-	-	397,775
Nonproperty taxes	907,957	-	-	907,957
Departmental income	952,490	-	-	952,490
Intergovernmental charges	200,539	-	-	200,539
Use of money and property	115,270	-	-	115,270
Licenses and permits	454,332	-	-	454,332
Fines and forfeitures	1,862,518	-	-	1,862,518
Sale of property and compensation for loss	189,160	-	-	189,160
Miscellaneous	186,592	-	16,523	203,115
State aid	584,728	-	-	584,728
Federal aid	473,134	-	-	473,134
Total revenues	<u>34,008,456</u>	<u>-</u>	<u>16,523</u>	<u>34,024,979</u>
<b>EXPENDITURES</b>				
General governmental support	6,311,814	-	-	6,311,814
Public safety	11,827,936	-	-	11,827,936
Health	31,261	-	-	31,261
Transportation	2,397,436	-	-	2,397,436
Economic assistance and opportunity	38,906	-	-	38,906
Culture and recreation	2,302,375	-	15,605	2,317,980
Home and community services	2,321,323	-	-	2,321,323
Employee benefits	8,205,313	-	-	8,205,313
Debt service				
Principal	2,804,279	-	-	2,804,279
Interest	844,023	-	-	844,023
Total expenditures	<u>37,084,666</u>	<u>-</u>	<u>15,605</u>	<u>37,100,271</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b><u>(3,076,210)</u></b>	<b><u>-</u></b>	<b><u>918</u></b>	<b><u>(3,075,292)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Advance refunding of serial bonds	3,575,000	-	-	3,575,000
BANs redeemed through appropriations	132,400	-	-	132,400
Debt issuance costs	(70,660)	-	-	(70,660)
Premium on debt issuance	221,541	-	-	221,541
Proceeds from serial bonds	2,900,000	-	-	2,900,000
Repayments to escrow agent on refunding of serial bonds	(3,724,656)	-	-	(3,724,656)
Total other financing sources	<u>3,033,625</u>	<u>-</u>	<u>-</u>	<u>3,033,625</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b><u>(42,585)</u></b>	<b><u>-</u></b>	<b><u>918</u></b>	<b><u>(41,667)</u></b>
<b>FUND BALANCE, beginning of year</b>	<u>9,680,516</u>	<u>619</u>	<u>47,185</u>	<u>9,728,320</u>
<b>FUND BALANCE, end of year</b>	<b><u>\$ 9,637,931</u></b>	<b><u>\$ 619</u></b>	<b><u>\$ 48,103</u></b>	<b><u>\$ 9,686,653</u></b>

See accompanying Notes to Regulatory Financial Statements.

## Incorporated Village of Lynbrook, New York

### Balance Sheet - Governmental Fund Types - Regulatory Basis

May 31, 2013

	<u>General</u>	<u>Community Development</u>	<u>Library</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 11,485,250	\$ 44,579	\$ 155,859	\$ -	\$ 1,923,357	\$ 13,609,045
Cash with fiscal agents	-	-	-	-	235,815	235,815
Cash, restricted	88,794	-	-	695,024	-	783,818
Receivables						
Accounts receivable	368,436	-	2,237	-	-	370,673
Taxes receivable	670,256	-	-	-	-	670,256
Due from other funds	2,311,324	-	-	480,535	-	2,791,859
Due from state and federal	301,827	24,070	-	-	-	325,897
Prepaid expenditures	8,983	-	-	-	-	8,983
<b>Total assets</b>	<b><u>\$ 15,234,870</u></b>	<b><u>\$ 68,649</u></b>	<b><u>\$ 158,096</u></b>	<b><u>\$ 1,175,559</u></b>	<b><u>\$ 2,159,172</u></b>	<b><u>\$ 18,796,346</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 496,292	\$ 42,474	\$ 23,577	\$ -	\$ 10,426	\$ 572,769
Accrued liabilities	1,541,032	-	49,371	-	-	1,590,403
Due to other funds	-	22,849	-	-	2,748,522	2,771,371
Unearned revenues	3,413,340	3,326	9,774	-	-	3,426,440
Judgments and claims	638,491	-	-	-	-	638,491
Other liabilities	-	-	-	-	158,941	158,941
Total liabilities	<u>6,089,155</u>	<u>68,649</u>	<u>82,722</u>	<u>-</u>	<u>2,917,889</u>	<u>9,158,415</u>
<b>FUND BALANCE</b>						
Fund balance						
Nonspendable	8,983	-	-	-	-	8,983
Restricted	1,863,881	-	-	1,175,559	-	3,039,440
Assigned	1,453,102	-	75,374	-	-	1,528,476
Unassigned	5,819,749	-	-	-	(758,717)	5,061,032
Total fund balances	<u>9,145,715</u>	<u>-</u>	<u>75,374</u>	<u>1,175,559</u>	<u>(758,717)</u>	<u>9,637,931</u>
	<b><u>\$ 15,234,870</u></b>	<b><u>\$ 68,649</u></b>	<b><u>\$ 158,096</u></b>	<b><u>\$ 1,175,559</u></b>	<b><u>\$ 2,159,172</u></b>	<b><u>\$ 18,796,346</u></b>



**Incorporated Village of Lynbrook, New York**

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Fund Types - Regulatory Basis

Year Ended May 31, 2013

	<u>General</u>	<u>Community Development</u>	<u>Library</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$ 27,683,961	\$ -	\$ -	\$ -	\$ -	\$ 27,683,961
Other tax items	397,775	-	-	-	-	397,775
Nonproperty taxes	907,957	-	-	-	-	907,957
Departmental income	939,380	-	13,110	-	-	952,490
Intergovernmental charges	59,903	-	140,636	-	-	200,539
Use of money and property	102,153	-	2,437	10,680	-	115,270
Licenses and permits	454,332	-	-	-	-	454,332
Fines and forfeitures	1,862,518	-	-	-	-	1,862,518
Sale of property and compensation for loss	188,400	-	760	-	-	189,160
Miscellaneous	183,733	-	2,859	-	-	186,592
State aid	464,878	-	14,815	-	105,035	584,728
Federal aid	316,307	151,909	4,918	-	-	473,134
Total revenues	<u>33,561,297</u>	<u>151,909</u>	<u>179,535</u>	<u>10,680</u>	<u>105,035</u>	<u>34,008,456</u>
<b>EXPENDITURES</b>						
General governmental support	4,290,508	-	-	-	2,021,306	6,311,814
Public safety	10,875,224	-	-	-	952,712	11,827,936
Health	31,261	-	-	-	-	31,261
Transportation	1,939,982	-	-	-	457,454	2,397,436
Economic assistance and opportunity	38,906	-	-	-	-	38,906
Culture and recreation	1,214,943	-	987,424	-	100,008	2,302,375
Home and community services	2,169,414	151,909	-	-	-	2,321,323
Employee benefits	7,875,025	-	330,288	-	-	8,205,313
Debt service						
Principal	132,400	-	-	2,671,879	-	2,804,279
Interest	1,466	-	-	842,557	-	844,023
Total expenditures	<u>28,569,129</u>	<u>151,909</u>	<u>1,317,712</u>	<u>3,514,436</u>	<u>3,531,480</u>	<u>37,084,666</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b><u>4,992,168</u></b>	<b><u>-</u></b>	<b><u>(1,138,177)</u></b>	<b><u>(3,503,756)</u></b>	<b><u>(3,426,445)</u></b>	<b><u>(3,076,210)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Advance refunding of serial bonds	-	-	-	3,575,000	-	3,575,000
BANs redeemed through appropriations	-	-	-	-	132,400	132,400
Debt issuance costs	-	-	-	(70,660)	-	(70,660)
Premium on debt issuance	-	-	-	221,541	-	221,541
Proceeds from serial bonds	2,900,000	-	-	-	-	2,900,000
Operating transfers in	-	-	1,072,758	3,739,687	-	4,812,445
Operating transfers (out)	(4,646,114)	-	-	-	(166,331)	(4,812,445)
Repayments to escrow agent on refunding of serial bonds	-	-	-	(3,724,656)	-	(3,724,656)
Total other financing sources and (uses)	<u>(1,746,114)</u>	<u>-</u>	<u>1,072,758</u>	<u>3,740,912</u>	<u>(33,931)</u>	<u>3,033,625</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b><u>3,246,054</u></b>	<b><u>-</u></b>	<b><u>(65,419)</u></b>	<b><u>237,156</u></b>	<b><u>(3,460,376)</u></b>	<b><u>(42,585)</u></b>
<b>FUND BALANCE, beginning of year</b>	<b><u>5,899,661</u></b>	<b><u>-</u></b>	<b><u>140,793</u></b>	<b><u>938,403</u></b>	<b><u>2,701,659</u></b>	<b><u>9,680,516</u></b>
<b>FUND BALANCE, end of year</b>	<b><u>\$ 9,145,715</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 75,374</u></b>	<b><u>\$ 1,175,559</u></b>	<b><u>\$ (758,717)</u></b>	<b><u>\$ 9,637,931</u></b>

See accompanying Notes to Regulatory Financial Statements.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies

#### *a. Organization*

The Incorporated Village of Lynbrook, New York (Village) is governed by Village law and other general laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as Chief Executive Officer, and the Treasurer serves as Chief Fiscal Officer.

The Village provides its residents with general government support, police and fire protection, street maintenance, snow removal, code enforcement, parks and recreation, library services, and various other services.

All governmental activities and functions performed for the Village are the direct responsibility of the Board of Trustees. These responsibilities include, but are not limited to, financial independence, selection of governing authority, designation of management and the ability to significantly influence operations and accountability for fiscal matters.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### *b. Basis of Presentation*

The Village has elected to prepare its financial statements on the regulatory basis as permitted by the New York State Office of the State Comptroller (OSC) for annual reports submitted to that office. This regulatory basis varies from accounting principles generally accepted in the United States of America (U.S. GAAP) primarily in that under U.S. GAAP:

- Financial statements include two additional statements, the statement of net position and the statement of activities, collectively referred to as the “government-wide” financial statements which are presented on the full accrual basis of accounting.
- A Management’s Discussion and Analysis (MD&A) is required as supplementary information that precedes the basic financial statements and is intended to provide an objective analysis of the government’s financial activities.
- Fund-based financial statements must be reconciled to the “government-wide” statements.
- Capital assets, other than land, are depreciated and reported in the “government-wide” statement of net position at their net book value, and depreciation expense is allocated to the major functions on the statement of activities on the use of the underlying assets.

#### *c. Use of Estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### *d. Financial Reporting Entity*

The financial reporting entity consists of: (a) the primary government, which is the Village of Lynbrook; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *d. Financial Reporting Entity - Continued*

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include potential component unit in the reporting entity is made by applying criteria set forth in U.S. GAAP. Based on the application of these criteria, the operations of the Lynbrook Public Library (Library) are included in these financial statements. The Village finances the operations of the Library through the transfer of funds appropriated for this purpose; has title to real property used by the Library; and issues all Library indebtedness which is supported by the full faith and credit of the Village. The Library is considered a blended component unit of the Village and is reported as a special revenue fund.

#### *e. Fund Accounting*

The Village uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types.

#### Governmental Fund Types

Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) and the acquisition or construction of general fixed assets (Capital Projects Funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

The following are the Village's governmental fund types:

1. 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. This fund operates within the financial limits of an annual budget adopted by the Board of Trustees.
2. Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the Village include the following:

Library Fund - This fund is used to account for revenues and expenditures pertaining to the operations of the Village's public library.

Community Development Fund - is used to account for community development projects financed by funds received from the Federal government, which are passed through Nassau County.

3. Capital Projects Fund - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. Financing is generally provided from proceeds of bonds, notes, and/or federal and state grants.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Fund Accounting - Continued*

##### Governmental Fund Types - Continued

4. Debt Service Fund - is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

##### Proprietary Fund Types

Enterprise Fund - is used by the Village to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The Village utilizes a gas utility fund. The operations are currently suspended.

##### Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the Village in a trustee or custodial capacity.

Trust and Agency Fund - is used by the Village to account for assets held in a trustee capacity or as an agent for subsequent distribution or transmittal to other governments, persons, or funds. These include private-purpose trusts and agency funds.

These include expendable trusts, non-expendable trusts, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

##### Account Groups

Account groups are used to establish accounting control and long-term debt accountability for the Village's general fixed assets. The account groups are not funds. They are concerned only with the measurement of financial position and not with the results of operations.

General Fixed Assets Account Group - is used to account for land, construction in progress, buildings and improvements, and machinery and equipment of the Village.

General Long-Term Debt Account Group - is used to account for long-term obligations of the Village, including bonds, most obligations under lease/purchase and other financing arrangements, compensated absences, and other long-term obligations.

#### *f. Basis of Accounting and Measurement Focus*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, sales and mortgage taxes, grants, and donations.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *f. Basis of Accounting and Measurement Focus - Continued*

The governmental funds and agency funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes to be available if the revenues are collected within 60 days after the end of the fiscal year. A one-year availability period is used for recognition of all other governmental and expendable trust fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as expenditures when due and compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports unearned revenues on its balance sheet. Unearned revenues arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

#### *g. Budgetary Data*

Budgets are adopted on the regulatory basis as permitted by the OSC. Annual appropriated budgets are adopted for the General and Special Revenue Funds. The Village's budget policies are as follows:

1. The Village's budget officer submits a tentative budget to the Board of Trustees on or before March 31. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund.
2. A public hearing is held on the tentative budget by April 15. 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.
3. 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 lapse at the end of the fiscal year unless expended or encumbered. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Trustees as a result of selected new revenue source not included in the original budget (when permitted by law). These supplementary appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year, several supplementary appropriations were necessary.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *h. Cash, Cash Equivalents, and Restricted Cash*

Cash and cash equivalents consist of cash and time deposits, which mature no more than three months after the date purchased.

The Village's investment policies are governed by State statutes. Village monies must be deposited in Federal Depository Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

The Village is required to collateralize its cash deposits in excess of the FDIC limit. This collateral is in the form of government and government agencies' securities pledged by the bank, under a third-party trust agreement. As of May 31, 2013, the collateral was sufficient to secure the Village's deposits.

Cash with fiscal agents represents amounts held by the fiscal agent for payment of principal and interest on outstanding obligations.

Restricted cash in the General Fund is for capital and other reserve purposes, and restricted cash in the Debt Service Fund is for retiring debt.

#### *i. Accounts Receivable*

Accounts receivable are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. At May 31, 2013, management has determined no allowance for doubtful accounts is necessary.

#### *j. Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between the various funds for goods provided or services rendered. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

#### *k. Prepaid Expenditures*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the governmental fund and proprietary fund financial statements.

#### *l. Capital Assets*

Capital assets are reported at historical cost where available. In certain cases, historical costs have been estimated based on appraisals conducted by an independent appraisal company. Donated assets are reported at estimated fair value at the time received. Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental fund types, and the related assets are reported in the Fixed Assets Account Group.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *l. Capital Assets - Continued*

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. No depreciation expense is recorded in governmental funds.

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	20 years
Buildings and improvements	5,000	20/50 years
Machinery and equipment	5,000	5-20 years
Infrastructure	5,000	5-20 years

#### *m. Accrued Liabilities and Long-Term Obligations*

The balance sheet reports payables and accrued liabilities of the governmental funds to the extent that they are due and payable within a current period and are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability to the extent they are due for payment in the current year.

Long-term obligations represent the Village's future obligations or future economic outflows. The liabilities are reported in the General Long-Term Debt Account Group on the balance sheet.

#### *n. Compensated Absences*

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees may be eligible to receive the value of unused accumulated sick leave.

The compensated absences liability is recorded in the Long-Term Debt Account Group. A liability for these amounts is recorded on the balance sheet to the extent payments become due because of employee retirement or resignation.

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

#### *o. Postemployment Benefits*

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *p. Fund Balance*

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specific purpose, but are not restricted or committed in any manner.

*Unassigned* - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned or those purposes, then a negative unassigned fund balance will occur.

The Village's fund balance policy is set by the Village Board, the highest level of decision-making authority. The Village Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Board has delegated the ability to assign fund balance to the Treasurer. The Village considers fund balance spent on the order of restricted, committed, assigned, and unassigned.

Note 6 provides further details regarding the Village's fund balance classifications.

#### *q. Property Taxes*

Real property taxes are levied annually no later than May 15 and become a lien on June 1. 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 sales.

#### *r. 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 and are classified as "due from other funds" and "due to other funds" on the balance sheet. 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.



# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*s. Interfund Transactions*

A detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues is provided subsequently in these notes to financial statements.

*t. Total (Memorandum Only) Columns*

Included in the financial statements are columns captioned "Total (Memorandum Only)" to indicate that they are presented only for information purposes. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts, and the memorandum totals are not intended to fairly present the financial position or results of operations of the Village taken as a whole.

*u. Subsequent Events*

The Village has evaluated subsequent events for potential recognition or disclosure through February 10, 2014, the date the financial statements were available to be issued.

*v. New Accounting Pronouncements*

Effective June 1, 2012, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

In addition, effective June 1, 2012, the Village adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

There was no significant impact to the financial statements as a result of adopting the aforementioned accounting standards.

### Note 2 - Interfund Transactions

Interfund balances and transactions as of and for the year ended May 31, 2013, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 2,311,324	\$ -	\$ -	\$ 4,646,114
Community Development Fund	-	22,849	-	-
Library Fund	-	-	1,072,758	-
Debt Service Fund	480,535	-	3,739,687	-
Capital Projects Fund	-	2,748,522	-	166,331
Fiduciary Funds	-	20,488	-	-
Total	\$ 2,791,859	\$ 2,791,859	\$ 4,812,445	\$ 4,812,445

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 3 - Capital Assets

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

	Balance May 31, 2012	Additions	Disposals	Balance May 31, 2013
Land	\$ 14,397,300	\$ -	\$ -	\$ 14,397,300
Land improvements	3,049,332	70,480	-	3,119,812
Construction in progress	1,654,788	-	(1,654,788)	-
Buildings and improvements	8,250,900	1,891,230	-	10,142,130
Machinery and equipment	11,892,208	1,399,911	-	13,292,119
Infrastructure	40,026,496	456,054	-	40,482,550
<b>Total capital assets</b>	<b><u>\$ 79,271,024</u></b>	<b><u>\$ 3,817,675</u></b>	<b><u>\$ (1,654,788)</u></b>	<b><u>\$ 81,433,911</u></b>

Construction in progress consists of computer equipment, signs, and firehouse drawings.

### Note 4 - Bond Anticipation Notes Payable (BAN)

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. BANs may be excluded from the current liabilities of the funds and included in the long-term debt account group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post-balance sheet issuance of long-term debt or by an acceptable financing agreement.

The following is a summary of short-term BANs payable:

	Maturity	Interest Rate	Balance May 31, 2012	Issued	Redeemed	Balance May 31, 2013
Capital Projects						
Fire truck	4/6/2013	1.09%	<u>\$ 132,400</u>	<u>\$ -</u>	<u>\$(132,400)</u>	<u>\$ -</u>

### Note 5 - Long-Term Liabilities

Long-term liability balances and activity for the year are summarized below:

	Balance May 31, 2012	Additions	Reductions	Balance May 31, 2013	Amounts Due Within One Year
Long-term debt					
Bonds payable	\$ 23,222,000	\$ 6,475,000	\$ (5,980,000)	\$ 23,717,000	\$ 2,732,000
Installment purchase debt	3,253,816	-	(176,878)	3,076,938	187,104
Pension related debt	414,277	591,875	(35,410)	970,742	86,652
Judgments and claims	786,157	-	(662,491)	123,666	-
Compensated absences	6,106,284	756,594	(220,726)	6,642,152	-
Other postemployment benefits	5,006,741	2,885,214	-	7,891,955	-
	<b><u>\$ 38,789,275</u></b>	<b><u>\$ 10,708,683</u></b>	<b><u>\$ (7,075,505)</u></b>	<b><u>\$ 42,422,453</u></b>	<b><u>\$ 3,005,756</u></b>

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 5 - Long-Term Liabilities - Continued

#### Bonds Payable

A summary of the Village's bonds payable is as follows:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2013
Serial bond	2002	2023	3.375-4.750%	\$ 2,055,000
Serial bond	2005	2021	3.500-3.750%	1,510,000
Serial bond	2007	2027	3.800-4.000%	5,055,000
Serial bond - refunding	2009	2015	3.000-4.750%	600,000
Serial bond	2009	2023	2.000-4.000%	3,435,000
Serial bond	2011	2024	1.750-2.250%	4,607,000
Serial bond	2012	2020	2.000-3.000%	3,555,000
Serial bond	2013	2022	1.500-2.450%	2,900,000
				<u><u>\$ 23,717,000</u></u>

A summary of aggregate minimum maturities of bonds payable is as follows:

Fiscal Year Ending May 31,	Principal	Interest	Total
2014	\$ 2,732,000	\$ 670,641	\$ 3,402,641
2015	2,970,000	588,759	3,558,759
2016	2,555,000	501,075	3,056,075
2017	2,530,000	436,363	2,966,363
2018	2,300,000	367,075	2,667,075
2019-2023	9,315,000	935,916	10,250,916
2024-2027	<u>1,315,000</u>	<u>86,218</u>	<u>1,401,218</u>
Total	<u><u>\$ 23,717,000</u></u>	<u><u>\$ 3,586,047</u></u>	<u><u>\$ 27,303,047</u></u>

Installment debt payable represents principal due on the purchase of equipment within the Capital Projects Fund. The installment debt was issued to finance the acquisition of capital equipment related to energy efficiency projects throughout the Village.

The due to employees' retirement system is the amount of the required annual contribution to the New York State Retirement Systems the Village has elected to amortize under Chapters 260 and 57 of the Laws of 2010. The contributions will be paid over a ten-year period at an interest rate of 3.75% for the State fiscal year (SFY) 2013 and 2012, respectively.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 6 - Fund Balance

	General Fund	Capital Projects	Debt Service Fund	Private Purpose Trust	Library Fund	Total
Nonspendable						
Prepaid expenses	\$ 8,983	\$ -	\$ -	\$ -	\$ -	\$ 8,983
Restricted for						
General	1,775,310	-	-	-	-	1,775,310
Capital	31,485	-	-	-	-	31,485
Miscellaneous	32,552	-	-	-	-	32,552
Repairs	24,534	-	-	-	-	24,534
Debt (mandatory reserve)	-	-	1,175,559	-	-	1,175,559
Donations	-	-	-	48,103	-	48,103
	<u>1,863,881</u>	<u>-</u>	<u>1,175,559</u>	<u>48,103</u>	<u>-</u>	<u>3,087,543</u>
Assigned						
Library services	-	-	-	-	75,374	75,374
Appropriations	1,453,102	-	-	-	-	1,453,102
Unassigned	<u>5,819,749</u>	<u>(758,717)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,061,032</u>
Total fund balance	<u>\$ 9,145,715</u>	<u>\$ (758,717)</u>	<u>\$ 1,175,559</u>	<u>\$ 48,103</u>	<u>\$ 75,374</u>	<u>\$ 9,686,034</u>

### Note 7 - New York State Retirement Systems

#### Pension Plans - New York State

##### *Plan Description*

The Village participates in the New York State Local Employees' Retirement System (ERS) and New York State Local Police and Fire Retirement Systems (PFRS), collectively referred to herein as the Systems. These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds.

Generally all of the Village's employees, except certain part-time employees, participate in the above-mentioned retirement systems. All employees in a full-time position enrolled in either system prior to July 28, 1976, participate on a noncontributory basis, with total cost of retirement benefits being borne by the Village. All employees who have enrolled in their systems subsequent to that date are required to contribute 3% of their gross compensation to partially fund their retirement benefits for the first ten years of service. Employees who join after January 1, 2010, and police and fire personnel who join after January 9, 2010, contribute 3% of their salary for their entire career.

A full description of membership, benefits, and employer and employee obligations to contribute are described in the System's Annual Report and Financial Statements. Historical trend information showing the progress in accumulating sufficient assets to pay benefits when due plus additional detailed information concerning the system may also be found in the Annual Financial Report of the System. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 7 - New York State Retirement Systems - Continued

#### Pension Plans - New York State - Continued

##### *Funding Policy*

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for ten years in accordance with the following stipulations:

- a. For SFY 2010-11, the amount in excess of the graded rate of 9.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- b. For subsequent SFY, the graded rate will increase or decrease by up to 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- c. For SFY's in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

For the years ended May 31, 2013 and 2012, the Village elected to amortize the allowable portions of the annual ERS and PFRS retirement payment over a ten-year period. For the year ended May 31, 2011, the Village elected to amortize the allowable portion of the annual ERS retirement payment over a ten-year period. The principal amount amortized was \$402,249 for the ERS plan and \$189,626 for the PFRS plan for the year ended May 31, 2013. The principal and interest payments began in February 2014 and will end in February 2023, with interest at 3.75%.

The Village is required to contribute at an actuarially determined rate or a rate as determined by the State Comptroller. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>NYSERS</u>	<u>NYS PFRS</u>
2013	\$ 718,530	\$ 1,539,274
2012	911,674	1,533,553
2011	673,140	1,152,709

The Village's contribution made to the System was equal to 100% of the contribution required for the year, excluding the amounts that were elected to be amortized.

### Note 8 - Length of Service Award Program (LOSAP)

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Lynbrook Fire Department. The program took effect on January 1, 1993. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded, pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the program.

The Village's financial statements are for the year ended May 31, 2013. However, the information contained in this note is based on information for the LOSAP for the plan year ended on December 31, 2012, which is the most recent plan year for which complete information is available.

Under Section 457(e)(11) of the Internal Revenue Code, Service Award Programs for volunteer firefighters and EMS volunteers are referred to as LOSAP.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 8 - Length of Service Award Program (LOSAP) - Continued

#### Program Description

#### Participation, Vesting, and Service Credit

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

#### Benefits

A participant's benefit under the program is paid as a life annuity guaranteed for ten years, equal to \$20 multiplied by the firefighter's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed 30 years, except in the case of death or disability, in which benefits are payable when the participant reaches the entitlement age. The program provides statutorily mandated death and disability benefits.

#### Fiduciary Investment and Control

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

The governing Board has designated VFIS to assist in the administration of the program. The designated program administrator's functions include those services listed in the service fee agreement. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

#### Payment of benefits:

- i. Entitlement benefits - VFIS prepares and submits to the Plan Administrator (Sponsor) a Verification of Benefits statement and an Annuity Enrollment form for participants active at entitlement age and for vested participants upon termination from the plan. Following review for accuracy, the Plan Administrator signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.
- ii. Death benefits - Upon notification from the Plan Administrator (Sponsor) of a participant's death, VFIS prepares a Verification of Benefits statement and a lump-sum death benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 8 - Length of Service Award Program (LOSAP) - Continued

#### Program Description - Continued

#### Fiduciary Investment and Control - Continued

- iii. Disability benefits - Upon notification from the Plan Administrator (Sponsor) of a participant's total and permanent disability, VFIS prepares a Verification of Benefits statement, a physician statement form, and a lump-sum disability benefit form. Following review for accuracy, the Plan Administrator signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Payment of administrative expenses:

Per the executed service fee agreement, the Plan Administrator agrees to payment as contracted.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Program assets are held in compliance with GML Article 11-A 217(j).

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

#### Program Financial Condition

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is VFIS. Portions of the following information are derived from a report prepared by the actuary dated June 2013.

Prior service costs are being amortized over a range of 10 to 21 years at a discount rate of 5.25%. The program assets are less than the actuarial present value of accrued benefits.

#### Assets and Liabilities

Actuarial present value of vested benefits at December 31, 2012		\$ 4,570,908
Less:		
Assets available for benefits:		
Group life annuity contract	2,026,962	
Other	<u>16,728</u>	
		<u>2,043,690</u>
Total unfunded benefits		2,527,218
Less unfunded liabilities for prior service		<u>2,656,457</u>
Unfunded normal benefits		<u>\$ -</u>

#### Prior Service Cost

Prior service costs are being amortized over 23 years at a discount rate of 5.25%.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 8 - Length of Service Award Program (LOSAP) - Continued

#### Receipts and Disbursements

Plan net assets, beginning of year		\$ 1,618,623
Add:		
Plan contributions	421,430	
Investment income	71,531	
		492,961
Less:		
Plan benefit withdrawals	64,469	
Administrative fee	3,425	
		67,894
Plan net assets, end of year		\$ 2,043,690

#### Contributions

Amount of sponsor's contribution recommended by actuary (minimum)		\$ 401,589
Amount of sponsor's actual contribution		421,430

#### Administration Fees

Fees paid to designated program administrator: (Hometown Firefighters Services)		-
Fees paid to trustee: Standard Security Life Insurance Company of New York		-
Fees paid to actuary		3,485

### Funding Methodology and Actuarial Assumptions

The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is the unit credit cost method. The assumptions used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment		5.25%
Tables used for:		
Retirement		RP 2000 - 50% Male - 5.25%
Death (Actives)		RP 2000 - 50% Male - 5.25%
Death (Inactives)		RP 2000 - 50% Male - 5.25%

### Note 9 - Postemployment Benefits Other Than Pensions

#### *a. Plan Description*

The Village provides medical and Medicare Part B reimbursement coverage (the Plan) to retired employees who are members of a retirement system administered by New York State and their dependents in accordance with employment contracts. The Plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program - Empire Plan.



# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 9 - Postemployment Benefits Other Than Pensions - Continued

*b. Funding Policy*

Contributions requirements are negotiated between the Village and union representatives. The Village contributes a percent of the cost of current year premiums for eligible retired plan members and their spouses. For the year ended May 31, 2013, the Village contributed \$1,064,839 to the Plan. Currently, the Plan is on a "pay as you go" basis because there is no legal requirement to fund it. There is no accumulation of assets.

*c. Annual OPEB Cost and Net OPEB Obligation*

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the Plan:

Annual required contribution (ARC)	\$ 4,028,187
Interest on net OPEB obligation	200,270
Adjustment to ARC	<u>(278,404)</u>
Annual OPEB cost (expense)	3,950,053
Contributions made	<u>(1,064,839)</u>
Increase in net OPEB obligation	2,885,214
Net OPEB obligation, <i>beginning of year</i>	<u>5,006,741</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 7,891,955</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended May 31, 2013, and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
May 31, 2013	\$ 3,950,053	27.0%	\$ 7,891,955
May 31, 2012	1,856,619	47.2%	5,006,741
May 31, 2011	1,859,786	44.4%	4,025,584

*d. Funded Status and Funding Progress*

As of May 31, 2013, the actuarial accrued liability for benefits was \$27,866,632, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 9 - Postemployment Benefits Other Than Pensions - Continued

#### *e. Actuarial Methods and Assumptions*

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

The actuarial methods and assumptions used in the Village's most recent OPEB valuation are summarized in the actuarial report dated November 29, 2012, for the fiscal year ending May 31, 2013. The most recent actuarial valuation details several changes to assumptions, including demographics, withdrawal and retirement assumptions, retirement age for police members and healthcare cost trend rates.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* - Rates of decrement due to retirement based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Marital Status* - It is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

*Mortality* - Life expectancies were based on the RP-2000 Mortality Table for males and females.

*Turnover* - Rates of decrement due to turnover based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

*Healthcare Cost Trend Rate* - The expected rate of increase in healthcare insurance premiums was based on the projections of the SOA Long-Run Medical Cost Trend Model. A rate of 7.5% initially, reduced to an ultimate rate of 4.3% after seventy years, was used.

*Health Insurance Premiums* - 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation Rate* - The expected rate of inflation assumption was 2.9%.

*Payroll Growth Rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4% was used. In addition, the projected unit credit actuarial cost method was used. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period of thirty (30) years.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### Note 10 - Commitments and Contingencies

#### a. *Grant Programs*

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. *Tax Certiorari Proceedings*

From time to time, the Village is involved in tax 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. For proceedings that have been settled prior to May 31, 2013, a liability has been recorded in the General Fund. For any unsettled proceedings at May 31, 2013, 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, 2013, which could affect future operating budgets of the Village.

#### c. *Pending Litigation*

The Village is a defendant in several lawsuits arising from the normal conduct of its affairs. The Village is of the opinion that settlements, if any, of the aforementioned litigation will not have a material adverse impact on the financial condition of the Village.

#### d. *Nassau County Civil Service Commission*

In order to resolve a compliance matter with the Nassau County Civil Service Commission (Commission), the Village entered into a Settlement Agreement with the Commission during 2013. The parties agree that the Village will pay the Commission a total of \$350,000, or \$50,000 per year commencing July 2, 2013 and ending July 1, 2019. However, for each year that the Village is in substantial compliance with its payroll submission to the Commission, the Commission will waive payment due for that year. No amounts have been paid since the balance sheet date, through the date of this report. As the Village expects to remain in compliance with the terms of the Settlement Agreement, no liability has been recorded for remaining amounts potentially due under the remaining term of the agreement in the regulatory financial statements.

### Note 11 - Accounting Standards Issued But Not Yet Implemented

The Village has not implemented the following accounting pronouncements that are required for financial statements presented in accordance with U.S. GAAP, but may not be required for financial reporting to the New York State Office of the State Comptroller.

During March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

# Incorporated Village of Lynbrook, New York

## Notes to Regulatory Financial Statements May 31, 2013

### **Note 11 - Accounting Standards Issued But Not Yet Implemented - Continued**

During March 2012, GASB issued Statement No. 66, *Technical Corrections*. This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more-likely-than-not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

Management has not estimated the extent of the potential impact of these statements on the Village's financial statements.

# Incorporated Village of Lynbrook, New York

## Supplementary Information - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund - Regulatory Basis

	Year Ended May 31, 2013			
	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes	\$ 27,699,555	\$ 27,699,555	\$ 27,683,961	\$ (15,594)
Other tax items	392,000	392,000	397,775	5,775
Nonproperty taxes	803,979	803,979	907,957	103,978
Departmental income	1,026,910	1,026,910	939,380	(87,530)
Intergovernmental charges	-	-	59,903	59,903
Use of money and property	58,000	58,000	102,153	44,153
Licenses and permits	382,150	382,150	454,332	72,182
Fines and forfeitures	1,930,750	1,930,750	1,862,518	(68,232)
Sale of property and compensation for loss	30,650	30,650	188,400	157,750
Miscellaneous	16,600	16,600	183,733	167,133
State aid	625,649	625,649	464,878	(160,771)
Federal aid	107,000	107,000	316,307	209,307
Total revenues	33,073,243	33,073,243	33,561,297	488,054
<b>EXPENDITURES</b>				
General governmental support	4,746,916	4,416,169	4,290,508	125,661
Public safety	10,905,652	11,167,952	10,875,224	292,728
Health	29,500	31,803	31,261	542
Transportation	2,211,638	2,134,578	1,939,982	194,596
Economic assistance and opportunity	35,400	45,400	38,906	6,494
Culture and recreation	1,192,465	1,257,607	1,214,943	42,664
Home and community services	2,178,610	2,283,807	2,169,414	114,393
Employee benefits	8,193,584	8,113,881	7,875,025	238,856
Debt service				
Principal	132,400	132,400	132,400	-
Interest	1,400	1,466	1,466	-
Total expenditures	29,627,565	29,585,063	28,569,129	1,015,934
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,445,678</b>	<b>3,488,180</b>	<b>4,992,168</b>	<b>\$ 527,880</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	929,177	930,241	-	
Proceeds from serial bonds	-	-	2,900,000	
Operating transfers in	65,000	65,000	-	
Operating transfers out	(4,439,855)	(4,663,556)	(4,646,114)	
Total other financing sources and uses	(3,445,678)	(3,668,315)	(1,746,114)	
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (180,135)</b>	<b>3,246,054</b>	
<b>FUND BALANCE, beginning of year</b>			5,899,661	
<b>FUND BALANCE, end of year</b>			<b>\$ 9,145,715</b>	

# Incorporated Village of Lynbrook, New York

## Supplementary Information - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Library Fund - Regulatory Basis

	Year Ended May 31, 2013			
	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Departmental income fees	12,000	12,000	\$ 13,110	\$ 1,110
Intergovernmental charges	145,100	145,100	140,636	(4,464)
Use of money and property	6,250	6,250	2,437	(3,813)
Sale of property and compensation for loss	1,200	1,200	760	(440)
Miscellaneous	350	350	2,859	2,509
State aid	4,800	14,800	14,815	15
Federal aid	-	-	4,918	4,918
Total revenues	169,700	179,700	179,535	(165)
<b>EXPENDITURES</b>				
General governmental support	2,300	2,300	-	2,300
Culture and recreation	1,007,800	1,022,962	987,424	35,538
Employee benefits	304,400	330,680	330,288	392
Total expenditures	1,314,500	1,355,942	1,317,712	38,230
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	72,042	72,042	-	-
Operating transfers in	1,072,758	1,090,199	1,072,758	-
Total other financing sources	1,144,800	1,162,241	1,072,758	-
<b>Deficiency of revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ (14,001)</b>	<b>(65,419)</b>	<b>\$ (38,395)</b>
<b>FUND BALANCE, beginning of year</b>			140,793	
<b>FUND BALANCE, end of year</b>			<b>\$ 75,374</b>	



**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Mayor and Board of Trustees  
Incorporated Village of Lynbrook, New York  
Lynbrook, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Incorporated Village of Lynbrook, New York (Village) as of May 31, 2013, and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

New York, New York  
February 10, 2014



# Incorporated Village of Lynbrook, New York

## Schedule of Findings and Questioned Costs Year Ended May 31, 2013

### Section I - Summary of Independent Auditor's Results

#### *Financial Statements*

Type of auditor's report issued: Unmodified on regulatory basis.

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements?

Yes  No

### Section II - Financial Statements Findings

No findings noted.

### Section III - Compliance Findings

No findings noted.