

**Incorporated Village of
Lynbrook, New York**

Financial Report

May 31, 2014

Incorporated Village of Lynbrook, New York

Financial Report

May 31, 2014

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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, 2014, 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 the governmental funds, proprietary fund, fiduciary funds, and account groups of the Village as of May 31, 2014, or the changes in financial position of the governmental funds, proprietary fund, and fiduciary funds for the year then ended.

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, 2014, and the changes in financial position of the governmental funds, proprietary fund, and fiduciary funds 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.

Emphasis of Matter

As discussed in Note 1u to the financial statements, on June 1, 2014, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 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
November 21, 2014



Incorporated Village of Lynbrook, New York

Balance Sheet - Governmental Funds and Account Groups - Regulatory Basis

	May 31, 2014						
	Governmental Funds				Account Groups		
	General	Special Revenue		Debt Service	Capital Projects	Non-Current Governmental Assets	Non-Current Governmental Liabilities
	Community Development	Library					
ASSETS							
Cash and cash equivalents	\$ 8,793,311	\$ 191,141	\$ 14,476		\$ 1,599,088	\$ -	\$ -
Cash with fiscal agents	-	-	-	-	2,190	-	-
Cash and cash equivalents, restricted	1,331,068	-	-	765,021	-	-	-
Receivables							
Accounts receivable	382,341	-	-	-	-	-	-
Taxes receivable	606,416	-	-	-	-	-	-
Due from other funds	3,392,201	-	-	413,608	-	-	-
Due from state and federal	-	60,163	-	-	-	-	-
Prepaid expenditures	5,434	-	-	-	-	-	-
Capital assets	-	-	-	-	-	83,097,494	-
Total assets	<u>14,510,771</u>	<u>251,304</u>	<u>14,476</u>	<u>1,178,629</u>	<u>1,601,278</u>	<u>83,097,494</u>	<u>-</u>
OTHER DEBITS							
Amounts to be provided for retirement of non-current governmental liabilities	-	-	-	-	-	-	41,635,152
Total other debits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,635,152</u>
Total assets and other debits	<u>\$ 14,510,771</u>	<u>\$ 251,304</u>	<u>\$ 14,476</u>	<u>\$ 1,178,629</u>	<u>\$ 1,601,278</u>	<u>\$ 83,097,494</u>	<u>\$ 41,635,152</u>
LIABILITIES							
Accounts payable	\$ 369,999	\$ 82,736	\$ 33,771	\$ -	\$ 188,534	\$ -	\$ -
Accrued liabilities	1,548,144	-	50,624	-	-	-	-
Due to other funds	-	168,568	-	-	3,613,928	-	-
Unearned revenues	-	-	9,783	-	-	-	-
Judgments and claims	810,116	-	-	-	-	-	296,250
Compensated absences	-	-	-	-	-	-	4,895,783
Installment purchase debt	-	-	-	-	-	-	2,895,017
Bonds payable	-	-	-	-	-	-	20,985,000
Due to the Employee Retirement System	-	-	-	-	-	-	1,762,570
Other postemployment benefits	-	-	-	-	-	-	10,800,532
Total liabilities	<u>2,728,259</u>	<u>251,304</u>	<u>94,178</u>	<u>-</u>	<u>3,802,462</u>	<u>-</u>	<u>41,635,152</u>
DEFERRED INFLOWS OF RESOURCES AND OTHER CREDITS							
Property taxes received in advance	2,195,696	-	-	-	-	-	-
Unavailable property tax receivables	606,416	-	-	-	-	-	-
Investment in governmental capital assets	-	-	-	-	-	83,097,494	-
Total deferred inflows of resources and other credits	<u>2,802,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,097,494</u>	<u>-</u>
FUND BALANCES (DEFICIT)							
Fund balances							
Nonspendable	5,434	-	-	-	-	-	-
Restricted	1,331,068	-	-	1,178,629	-	-	-
Assigned	1,565,228	-	-	-	-	-	-
Unassigned	6,078,670	-	(79,702)	-	(2,201,184)	-	-
Total fund balances (deficit)	<u>8,980,400</u>	<u>-</u>	<u>(79,702)</u>	<u>1,178,629</u>	<u>(2,201,184)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and other credits, and fund balances	<u>\$ 14,510,771</u>	<u>\$ 251,304</u>	<u>\$ 14,476</u>	<u>\$ 1,178,629</u>	<u>\$ 1,601,278</u>	<u>\$ 83,097,494</u>	<u>\$ 41,635,152</u>

See accompanying Notes to Regulatory Financial Statements.

Incorporated Village of Lynbrook, New York

Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds - Regulatory Basis

	Year Ended May 31, 2014				
	General	Community Development	Library	Debt Service	Capital Projects
REVENUES					
Real property taxes	\$ 28,736,273	\$ -	\$ -	\$ -	\$ -
Other tax items	569,929	-	-	-	-
Nonproperty taxes	856,352	-	-	-	-
Departmental income	1,088,543	-	13,196	-	-
Intergovernmental charges	52,051	-	144,337	-	-
Use of money and property	90,109	-	2,887	2,679	-
Licenses and permits	540,496	-	-	-	-
Fines and forfeitures	1,998,602	-	-	-	-
Sale of property and compensation for loss	200,999	-	365	-	-
Miscellaneous	18,475	-	15,946	-	-
State aid	781,022	-	30,233	-	225,000
Federal aid	117,629	161,444	-	-	-
Total revenues	35,050,480	161,444	206,964	2,679	225,000
EXPENDITURES					
General governmental support	4,700,107	-	-	-	84,653
Public safety	10,827,946	-	-	-	639,769
Health	23,840	-	-	-	-
Transportation	2,248,555	-	-	-	912,684
Economic assistance and opportunity	33,144	-	-	-	-
Culture and recreation	1,286,892	-	1,035,135	-	33,244
Home and community services	2,159,400	161,444	-	-	-
Employee benefits	9,208,769	-	378,519	-	-
Debt service					
Principal	-	-	-	2,913,920	-
Interest	-	-	-	758,334	-
Total expenditures	30,488,653	161,444	1,413,654	3,672,254	1,670,350
Excess (deficiency) of revenues over expenditures	4,561,827	-	(1,206,690)	(3,669,575)	(1,445,350)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	1,051,614	3,672,645	3,274
Operating transfers out	(4,727,142)	-	-	-	(391)
Total other financing sources and (uses)	(4,727,142)	-	1,051,614	3,672,645	2,883
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(165,315)	-	(155,076)	3,070	(1,442,467)
FUND BALANCES (DEFICIT), beginning of year	9,145,715	-	75,374	1,175,559	(758,717)
FUND BALANCES (DEFICIT), end of year	\$ 8,980,400	\$ -	\$ (79,702)	\$ 1,178,629	\$ (2,201,184)

See accompanying Notes to Regulatory Financial Statements.

Incorporated Village of Lynbrook, New York

Statement of Net Position - Proprietary Fund - Regulatory Basis

	<u>May 31, 2014</u>
	<u>Gas Utility</u>
ASSETS	
Cash	\$ 619
	<u> </u>
NET POSITION	
Unrestricted	\$ 619
	<u> </u>

Incorporated Village of Lynbrook, New York

Statement of Net Position - Fiduciary Funds - Regulatory Basis

	May 31, 2014	
	Trust and Agency	Private Purpose Trust
ASSETS		
Cash and cash equivalents	\$ 259,348	\$ -
Cash, restricted	-	44,481
Service award program assets	2,439,815	-
	\$ 2,699,163	\$ 44,481
LIABILITIES		
Accounts payable	\$ 6,661	\$ -
Due to other funds	23,313	-
Other liabilities	229,374	-
Service award program	2,439,815	-
Total liabilities	\$ 2,699,163	-
NET POSITION		
Restricted		\$ 44,481

Incorporated Village of Lynbrook, New York

Statement of Revenues, Expenses, and Changes in Net Position - Regulatory Basis

	<u>May 31, 2014</u>
	<u>Private</u>
	<u>Purpose Trust</u>
REVENUES	
Gifts and donations	\$ 3,526
Total revenues	<u>3,526</u>
EXPENDITURES	
Culture and recreation	7,148
Total expenditures	<u>7,148</u>
Deficiency of revenues over expenditures	<u>(3,622)</u>
FUND BALANCE, <i>beginning of year</i>	<u>48,103</u>
FUND BALANCE, <i>end of year</i>	<u><u>\$ 44,481</u></u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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.

b. 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.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include potential component units 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.

c. 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.
- Other required supplementary information required by U.S. GAAP includes budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget, and the schedule of funding progress for other postemployment benefits.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

c. Basis of Presentation - Continued

- 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.

d. 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.

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 deferred inflows of resources on its balance sheet when potential revenue does not meet both of the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources 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 deferral is removed from the balance sheet, and revenue is recognized.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

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.
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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

e. Fund Accounting - Continued

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. 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. Estimates

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

g. Budgets

Budgets are adopted on the modified accrual basis. Annual appropriated budgets are adopted for the General and Special Revenue Funds. The Village's budget policy is 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

g. Budgets - Continued

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.

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, 2014, 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, 2014, 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).

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

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.

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.

The Village maintains a capitalization threshold of \$5,000 for individual or in aggregate capital expenditures.

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 are 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 are 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

n. Compensated Absences - Continued

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.

p. Fund Balances

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

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

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. The Village received approximately \$2.2 million in property tax revenue in advance of the June 1, 2014 enforceable lien, and has recorded this balance as a deferred inflow of resources. The Village has approximately \$632,000 of property tax receivables that were not collected within the availability period and has recorded this balance as a deferred inflow of resources.

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.

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. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through November 21, 2014, the date the financial statements were available to be issued.

u. New Accounting Pronouncements

During March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). 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. As a result of adopting GASB 65, the Village has reclassified certain general fund balances that no longer meet the definition of a liability, to deferred inflows of resources.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

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

u. New Accounting Pronouncements - Continued

During March 2012, GASB issued Statement No. 66, *Technical Corrections* (GASB 66). 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. There was no significant impact to the financial statements as a result of adopting GASB 66.

Note 2 - Interfund Transactions

Interfund balances and transactions as of and for the year ended May 31, 2014, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,392,201	\$ -	\$ -	\$ 4,727,142
Community Development Fund	-	168,568	-	-
Library Fund	-	-	1,051,614	-
Debt Service Fund	413,608	-	3,672,645	-
Capital Projects Fund	-	3,613,928	3,274	391
Fiduciary Funds	-	23,313	-	-
Total	<u>\$ 3,805,809</u>	<u>\$ 3,805,809</u>	<u>\$ 4,727,533</u>	<u>\$ 4,727,533</u>

Note 3 - Capital Assets

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

	Balance	Additions	Disposals	Balance
	May 31, 2013			May 31, 2014
Land	\$ 14,397,300	\$ -	\$ -	\$ 14,397,300
Land improvements	3,119,812	-	-	3,119,812
Buildings and improvements	10,142,130	133,312	-	10,275,442
Machinery and equipment	13,292,119	573,033	(85,000)	13,780,152
Infrastructure	40,482,550	1,042,238	-	41,524,788
Total capital assets	<u>\$ 81,433,911</u>	<u>\$ 1,748,583</u>	<u>\$ (85,000)</u>	<u>\$ 83,097,494</u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 4 - Long-Term Liabilities

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

	Balance			Amounts	
	May 31, 2013	Additions	Reductions	May 31, 2014	Due Within One Year
Long-term debt					
Bonds payable	\$ 23,717,000	\$ -	\$ (2,732,000)	\$ 20,985,000	\$ 2,970,000
Installment purchase debt	3,076,938	-	(181,921)	2,895,017	187,104
Pension related debt	970,742	880,259	(88,431)	1,762,570	168,203
Judgments and claims	123,666	172,584	-	296,250	-
Compensated absences	6,642,152	-	(1,746,369)	4,895,783	-
Other postemployment benefits	7,891,955	2,908,577	-	10,800,532	-
	<u>\$ 42,422,453</u>	<u>\$ 3,961,420</u>	<u>\$ (4,748,721)</u>	<u>\$ 41,635,152</u>	<u>\$ 3,325,307</u>

Bonds Payable

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2014
Serial bond	2002	2023	3.375-4.750%	\$ 1,655,000
Serial bond	2005	2021	3.500-3.750%	755,000
Serial bond	2007	2027	3.800-4.000%	4,640,000
Serial bond - refunding	2009	2015	3.000-4.750%	305,000
Serial bond	2009	2023	2.000-4.000%	2,990,000
Serial bond	2011	2024	1.750-2.250%	4,210,000
Serial bond - refunding	2012	2020	2.000-3.000%	3,530,000
Serial bond	2013	2022	1.500-2.450%	2,900,000
				<u>\$ 20,985,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
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	2,295,000	302,938	2,597,938
2020-2024	7,780,000	674,797	8,454,797
2025-2027	555,000	44,000	599,000
Total	<u>\$ 20,985,000</u>	<u>\$ 2,915,007</u>	<u>\$ 23,900,007</u>

Installment debt payable, \$2,895,017 as of year-end, 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 4 - Long-Term Liabilities - Continued

The due to employees' retirement system, \$1,762,570 as of year-end, 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 3.5% for the State fiscal years (SFY) 2014 and 2013, respectively.

Note 5 - Fund Balance

	General Fund	Capital Projects	Debt Service Fund	Private Purpose Trust	Library Fund	Total
Nonspendable						
Prepaid expenses	\$ 5,434	\$ -	\$ -	\$ -	\$ -	\$ 5,434
Restricted for						
General	1,242,475	-	-	-	-	1,242,475
Capital	31,485	-	-	-	-	31,485
Miscellaneous	32,550	-	-	-	-	32,550
Repairs	24,558	-	-	-	-	24,558
Debt (mandatory reserve)	-	-	1,178,629	-	-	1,178,629
Donations	-	-	-	44,481	-	44,481
	<u>1,331,068</u>	<u>-</u>	<u>1,178,629</u>	<u>44,481</u>	<u>-</u>	<u>2,554,178</u>
Assigned						
Library services	-	-	-	-	-	-
Appropriations	1,565,228	-	-	-	-	1,565,228
Unassigned	<u>6,078,670</u>	<u>(2,201,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,877,486</u>
Total fund balance	<u>\$ 8,980,400</u>	<u>\$ (2,201,184)</u>	<u>\$ 1,178,629</u>	<u>\$ 44,481</u>	<u>\$ -</u>	<u>\$ 8,002,326</u>

Note 6 - New York State Retirement Systems

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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 6 - New York State Retirement Systems - Continued

Plan Description - Continued

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.

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, 2014 and 2013, 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 \$493,366 for the ERS plan and \$386,893 for the PFRS plan for the year ended May 31, 2014. The principal and interest payments begin in February 2015 and will end in February 2024, with interest at 3.50%.

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>NYSPPFRS</u>
2014	\$ 1,003,873	\$ 1,618,880
2013	718,530	1,539,274
2012	911,674	1,533,553

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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 7 - 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, 2014. However, the information contained in this note is based on information for the LOSAP for the plan year ended on December 31, 2013, 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.

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. A participant's service award will not be paid until attaining the entitlement age, except in the case of pre-entitlement age death or total and permanent disablement. 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 Hometown Firefighter Services (Hometown) 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:

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 7 - Length of Service Award Program (LOSAP) - Continued

Program Description - Continued

Fiduciary Investment and Control - Continued

Payment of benefits:

- i. Entitlement benefits - Hometown 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 Hometown authorizing Hometown to disburse entitlement benefits.
- ii. Death benefits - Upon notification from the Plan Administrator (Sponsor) of a participant's death, Hometown 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 Hometown authorizing Hometown to disburse a death benefit.
- iii. Disability benefits - Upon notification from the Plan Administrator (Sponsor) of a participant's total and permanent disability, Hometown 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 Hometown 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 First Security Benefit Life Insurance and Annuity 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 Hometown. 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 7 - Length of Service Award Program (LOSAP) - Continued

Program Financial Condition - Continued

Assets and Liabilities

Actuarial present value of vested benefits at December 31, 2013		\$ 4,946,369
Less:		
Assets available for benefits:		
Group life annuity contract	2,396,037	
Other	<u>43,778</u>	
		<u>2,439,815</u>
Total unfunded benefits		2,506,554
Less unfunded liabilities for prior service		<u>2,506,554</u>
Unfunded normal benefits		<u>\$ -</u>

Prior Service Cost

Prior service costs are being amortized over a range of 20 to 10 years
discount rate of 5.25%.

Receipts and Disbursements

Plan net assets, beginning of year		\$ 2,043,690
Add:		
Plan contributions	421,430	
Investment income	<u>85,073</u>	
		506,503
Less:		
Plan benefit withdrawals	106,997	
Administrative fee	<u>3,381</u>	
		<u>110,378</u>
Plan net assets, end of year		<u>\$ 2,439,815</u>

Contributions

Amount of sponsor's contribution recommended by actuary (minimum)	\$ 403,546
Amount of sponsor's actual contribution	421,430

Administration Fees

Fees paid to actuary	3,381
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Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 7 - Length of Service Award Program (LOSAP) - Continued

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 8 - 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.

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, 2014, the Village contributed \$1,182,971 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)	\$ 4,214,709
Interest on net OPEB obligation	315,678
Adjustment to ARC	(438,839)
Annual OPEB cost (expense)	<u>4,091,548</u>
Contributions made	<u>(1,182,971)</u>
Increase in net OPEB obligation	2,908,577
Net OPEB obligation, <i>beginning of year</i>	<u>7,891,955</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 10,800,532</u></u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 8 - Postemployment Benefits Other Than Pensions

c. Annual OPEB Cost and Net OPEB Obligation -Continued

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, 2014, and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
May 31, 2014	4,091,548	28.9%	10,800,532
May 31, 2013	3,950,053	27.0%	7,891,955
May 31, 2012	1,856,619	47.2%	5,006,741

d. Funded Status and Funding Progress

As of May 31, 2014, the actuarial accrued liability for benefits was \$45,834,296, 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.

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 October 16, 2014, for the fiscal year ending May 31, 2014. 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 8 - Postemployment Benefits Other Than Pensions - Continued

e. Actuarial Methods and Assumptions - Continued

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 - 2013 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.

Note 9 - 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, 2014, a liability has been recorded in the General Fund. For any unsettled proceedings at May 31, 2014, 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, 2014, 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 9 - Commitments and Contingencies - Continued

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 agreed 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 initial Settlement Agreement, 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 10 - Accounting Standards Issued But Not Yet Implemented

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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2014

Note 10 - Accounting Standards Issued But Not Yet Implemented - Continued

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement amends paragraph 137 of statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability previously this was required not to be reported. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective for periods beginning after June 15, 2014, with early application encouraged.

Management has not estimated the extent of the potential impact of these statements on the Village's financial statements, or their applicability under the requirements of the New York State Office of the State Comptroller.

**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, 2014, and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 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
November 21, 2014