

Incorporated Village of Lynbrook, New York

Financial Report

May 31, 2016

Incorporated Village of Lynbrook, New York

Financial Report

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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 financial statements of each governmental fund, the proprietary fund, each fiduciary fund, and each account group of the Incorporated Village of Lynbrook, New York (Village) as of and for the year ended May 31, 2016, 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 Accounting Principles Generally Accepted in the United States of America

As described in Note 1, 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.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America - Continued

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

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America” 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 respective financial position of the governmental funds, proprietary fund, fiduciary funds, and each account group of the Village as of May 31, 2016, and the respective changes in financial position of each governmental fund, and the Private Purpose Trust Fund 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 respective financial position of each governmental fund, the proprietary fund, each fiduciary fund, and each account group as of May 31, 2016, and the respective changes in financial position of each governmental fund and the Private Purpose Trust Fund 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 1, the Village has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the Incorporated Village of Lynbrook, New York changed its method of accounting for other postemployment benefit obligations in the non-current governmental liabilities account group. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, 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.

BST & CO. CPAs, LLP

Albany, New York
March 20, 2017



Incorporated Village of Lynbrook, New York

Balance Sheet - Governmental Funds and Account Groups - Regulatory Basis

	May 31, 2016						
	Governmental Funds				Account Groups		
	General	Special Revenue		Debt Service	Capital Projects	Non-Current Governmental Assets	Non-Current Governmental Liabilities
	Community Development	Library					
ASSETS, DEFERRED OUTFLOWS OF RESOURCES, AND OTHER DEBITS							
ASSETS							
Cash and cash equivalents	\$ 13,272,232	\$ -	\$ 645	\$ -	\$ 5,965,723	\$ -	\$ -
Cash and cash equivalents, restricted	2,714,087	-	-	14,381	-	-	-
Receivables							
Accounts receivable	477,039	-	100,285	-	-	-	-
Taxes receivable	539,417	-	-	-	-	-	-
Due from other funds	1,138,080	14,150	-	105,478	539,928	-	-
Prepaid expenditures	47,695	-	-	-	-	-	-
Capital assets	-	-	-	-	-	88,005,112	-
Total assets	<u>18,188,550</u>	<u>14,150</u>	<u>100,930</u>	<u>119,859</u>	<u>6,505,651</u>	<u>88,005,112</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	9,085,146	-
OTHER DEBITS							
Amounts to be provided for retirement of non-current governmental liabilities	-	-	-	-	-	-	60,168,981
Total assets, deferred outflows of resources , and other debits	<u>\$ 18,188,550</u>	<u>\$ 14,150</u>	<u>\$ 100,930</u>	<u>\$ 119,859</u>	<u>\$ 6,505,651</u>	<u>\$ 97,090,258</u>	<u>\$ 60,168,981</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, OTHER CREDITS, AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 389,625	\$ 14,150	\$ 22,456	\$ -	\$ 409,125	\$ -	\$ -
Accrued liabilities	1,393,369	-	46,096	-	-	-	-
Due to other funds	-	-	-	-	1,785,359	-	-
Bond anticipation notes payable	-	-	-	-	335,000	-	-
Unearned revenues	22,522	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-	9,284,883
Judgments and claims	602,437	-	-	-	-	-	425,338
Compensated absences	-	-	-	-	-	-	4,837,147
Installment purchase debt	-	-	-	-	-	-	2,515,476
Bonds payable	-	-	-	-	-	-	25,005,000
Due to New York State and Local Retirement System	-	-	-	-	-	-	1,237,893
Other postemployment benefits liability	-	-	-	-	-	-	15,596,232
Total liabilities	<u>2,407,953</u>	<u>14,150</u>	<u>68,552</u>	<u>-</u>	<u>2,529,484</u>	<u>-</u>	<u>58,901,969</u>
DEFERRED INFLOWS OF RESOURCES							
Property taxes received in advance	1,827,033	-	-	-	-	-	-
Unavailable property tax receivables	500,556	-	-	-	-	-	-
Pension resources	-	-	-	-	-	-	1,267,012
Total deferred inflows of resources	<u>2,327,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,267,012</u>
OTHER CREDITS							
Investment in governmental capital assets	-	-	-	-	-	97,090,258	-
FUND BALANCE							
Nonspendable	47,695	-	-	-	-	-	-
Restricted	2,714,087	-	-	119,859	3,976,167	-	-
Assigned	1,323,977	-	32,378	-	-	-	-
Unassigned	9,367,249	-	-	-	-	-	-
Total fund balance	<u>13,453,008</u>	<u>-</u>	<u>32,378</u>	<u>119,859</u>	<u>3,976,167</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources other credits, and fund balance	<u>\$ 18,188,550</u>	<u>\$ 14,150</u>	<u>\$ 100,930</u>	<u>\$ 119,859</u>	<u>\$ 6,505,651</u>	<u>\$ 97,090,258</u>	<u>\$ 60,168,981</u>

See Independent Auditor's Report and 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, 2016				
	General	Community Development	Library	Debt Service	Capital Projects
REVENUES					
Real property taxes	\$ 31,248,038	\$ -	\$ -	\$ -	\$ -
Other tax items	601,783	-	-	-	-
Nonproperty taxes	934,725	-	-	-	-
Departmental income	1,159,029	-	11,189	-	-
Intergovernmental charges	6,349	-	139,875	-	-
Use of money and property	100,550	-	2,980	6,343	-
Licenses and permits	832,521	-	-	-	-
Fines and forfeitures	1,890,408	-	-	-	-
Sale of property and compensation for loss	166,952	-	495	-	-
Miscellaneous	57,577	-	1,508	-	-
State aid	1,078,838	-	37,642	-	-
Federal aid	60,784	178,113	-	-	164,660
Total revenues	<u>38,137,554</u>	<u>178,113</u>	<u>193,689</u>	<u>6,343</u>	<u>164,660</u>
EXPENDITURES					
General governmental support	4,051,906	-	184	-	354,941
Public safety	10,938,381	-	-	-	326,686
Health	33,113	-	-	-	-
Transportation	2,191,599	-	-	-	323,119
Economic assistance and opportunity	44,574	-	-	-	-
Culture and recreation	1,448,181	-	1,089,597	-	151,585
Home and community services	2,297,466	178,113	-	-	-
Employee benefits	10,204,598	-	378,250	-	-
Bond issuance cost	-	-	-	82,042	35,185
Debt service	-	-	-	-	-
Principal	-	-	-	3,151,437	-
Interest	3,676	-	-	768,161	-
Total expenditures	<u>31,213,494</u>	<u>178,113</u>	<u>1,468,031</u>	<u>4,001,640</u>	<u>1,191,516</u>
Excess (deficiency) of revenues over expenditures	<u>6,924,060</u>	<u>-</u>	<u>(1,274,342)</u>	<u>(3,995,297)</u>	<u>(1,026,856)</u>
OTHER FINANCING SOURCES (USES)					
Premium on debt issuance	-	-	-	178,468	27,156
Proceeds from serial bonds	1,250,000	-	-	3,285,000	2,275,000
Payments to escrow agent	-	-	-	(3,381,426)	-
Operating transfers in	1,180,061	-	1,298,748	3,931,301	7,084
Operating transfers out	(5,223,240)	-	-	(1,180,061)	(13,893)
Total other financing sources and (uses)	<u>(2,793,179)</u>	<u>-</u>	<u>1,298,748</u>	<u>2,833,282</u>	<u>2,295,347</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>4,130,881</u>	<u>-</u>	<u>24,406</u>	<u>(1,162,015)</u>	<u>1,268,491</u>
FUND BALANCES, beginning of year	<u>9,322,127</u>	<u>-</u>	<u>7,972</u>	<u>1,281,874</u>	<u>2,707,676</u>
FUND BALANCES, end of year	<u>\$ 13,453,008</u>	<u>\$ -</u>	<u>\$ 32,378</u>	<u>\$ 119,859</u>	<u>\$ 3,976,167</u>

Incorporated Village of Lynbrook, New York

Statement of Net Position - Proprietary Fund - Regulatory Basis

	<u>May 31, 2016</u> <u>Gas Utility</u>
ASSETS	
Cash	<u>\$ 619</u>
NET POSITION	
Unrestricted	<u>\$ 619</u>

Incorporated Village of Lynbrook, New York

Statement of Net Position - Fiduciary Funds - Regulatory Basis

	May 31, 2016	
	Trust and Agency	Private Purpose Trust
ASSETS		
Cash and cash equivalents	\$ 350,965	\$ -
Cash, restricted	-	45,222
Service award program assets	3,208,353	-
Due from other funds	151	-
	\$ 3,559,469	\$ 45,222
LIABILITIES		
Accounts payable	\$ 14,090	\$ -
Due to other funds	12,428	-
Other liabilities	324,598	-
Service award program	3,208,353	-
	\$ 3,559,469	-
NET POSITION		
Restricted		\$ 45,222

Incorporated Village of Lynbrook, New York

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

	<u>Year Ended</u> <u>May 31, 2016</u> <u>Private</u> <u>Purpose Trust</u>
REVENUES	
Gifts and donations	\$ 928
EXPENDITURES	
Culture and recreation	<u>81</u>
Excess of revenues over expenditures	847
NET POSITION, <i>beginning of year</i>	<u>44,375</u>
NET POSITION, <i>end of year</i>	<u><u>\$ 45,222</u></u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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.

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, both on a current and long-term basis, based on current conditions.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

c. Basis of Presentation - Continued

- Other 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, the schedule of funding progress for other postemployment benefits, and pension related schedules.
- 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 based 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 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, 2016

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

d. Basis of Accounting and Measurement Focus - Continued

The Village's proprietary fund, fiduciary funds, and account groups are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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 Funds

Governmental funds 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 funds:

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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

e. Fund Accounting - Continued

Proprietary Funds

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

Fiduciary Funds

The Village uses fiduciary funds to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Village's Agency Fund is generally used to account for assets that the government holds on behalf of others as their agent. The Private Purpose Trust Fund is used to account for resources held in trust for various special events located within the Village.

Account Groups

The Village also accounts for the following:

Non-Current Governmental Assets - Accounts for land, construction in progress, buildings and improvements, and machinery and equipment of the Village.

Non-Current Governmental Liabilities - Accounts 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, deferred outflows of resources, other debits, liabilities, deferred inflows of resources, and other credits, the disclosure of contingent 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. 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, 2016, the collateral was sufficient to secure the Village's deposits.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

g. Cash, Cash Equivalents, and Restricted Cash

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

h. 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, 2016, management has determined no allowance for doubtful accounts is necessary.

i. 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.

j. 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 Non-Current Governmental Assets Account Group.

The costs 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 the governmental funds.

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

k. 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 the 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 Non-Current Governmental Liabilities Account Group on the balance sheet.

l. 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

l. Compensated Absences - Continued

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 Non-Current Governmental Liabilities Account Group. A liability for these amounts is recorded on the governmental fund balance sheets to the extent payments become due because of employee retirement or resignation.

Pension Benefits

Eligible Village employees participate in the New York State Employees' Retirement System and New York State Police and Fire Retirement System. The Village recognizes contributions to these systems as expenditures in the governmental funds. The Village's proportionate share of the net pension liability is reported in the non-current governmental liabilities account group.

The Village reports pension related deferred outflows of resources and deferred inflows of resources on its balance sheet. Pension related deferred outflows of resources and deferred inflows of resources may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual investment earnings on pension plan investments, changes in proportion and difference between employer contributions, and proportionate share of contributions and employer contributions made subsequent to the measurement date. Pension related deferred outflows of resources and deferred inflows of resources are reported in the non-current governmental assets account group and non-current governmental liabilities account group, respectively.

The Village is also the sponsor of a defined benefit length of service award program (LOSAP) on behalf of volunteer firemen within the Village. The plan was organized under section 11a of New York State General Municipal Law. The assets accumulated to pay plan benefits are restricted from use by the Village, however, in the event of bankruptcy, these assets may be subject to the Village's creditors.

m. 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.

n. 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.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

n. Fund Balances - Continued

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. The Village did not have a committed fund balance at May 31, 2016.

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 for 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.

o. 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 \$1.8 million in property tax revenue in advance of the June 1, 2016 enforceable lien, and has recorded this balance as a deferred inflow of resources. The Village has approximately \$500,000 of property tax receivables that were not collected within the availability period and has recorded this balance as a deferred inflow of resources.

p. 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.

See Note 3 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

q. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through March 20, 2017, the date the financial statements were available to be issued.

r. New Accounting Pronouncements and Change in Reporting Other Postemployment Benefits

GASB 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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with Statement No. 68.

The Village adopted these accounting standards effective June 1, 2015. As a result, the Village now reports its proportionate share of the net pension liability, along with related deferred outflows of resources, deferred inflows of resources, and pension expense, as determined by the State and Local Retirement System. The adoption of GASB No. 68 and No. 71 was applied retroactively.

Effective June 1, 2015, the Village changed its accounting policy specific to reporting other postemployment benefits (OPEB). Under the regulatory basis of accounting prescribed by the OSC, valuation and inclusion of OPEB in the non-current government liabilities account group is optional. The Village engaged an actuary to perform an OPEB valuation for the period ended May 31, 2016, which included a rollforward from June 1, 2015. Accordingly, the Village has restated the May 31, 2015 total liabilities figure in Note 5.

A summary of the impact of the adoption of GASB No. 68 and No. 71 and this change on the May 31, 2015, Note 5 amounts is as follows:

	As Originally Stated	Adjustment	As Restated
Other postemployment benefits	\$ -	\$ 13,753,791	\$ 13,753,791
Net pension liability	-	1,272,587	1,272,587
Total long-term liabilities	34,327,352	15,026,378	49,353,730

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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.

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.

Note 3 - Interfund Transactions

Interfund balances and transactions as of and for the year ended May 31, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,138,080	\$ -	\$ -	\$ 4,043,179
Community Development Fund	14,150	-	-	-
Library Fund	-	-	1,298,748	-
Debt Service Fund	105,478	-	2,751,240	-
Capital Projects Fund	-	1,245,431	-	6,809
Fiduciary Funds	-	12,277	-	-
Total	\$ 1,257,708	\$ 1,257,708	\$ 4,049,988	\$ 4,049,988

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 4 - Capital Assets

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

	Balance May 31, 2015	Additions	Disposals	Balance May 31, 2015
Land	\$ 14,397,300	\$ -	\$ -	\$ 14,397,300
Land improvements	4,063,792	503,898	-	4,567,690
Buildings and improvements	12,463,547	102,340	-	12,565,887
Machinery and equipment	12,220,409	983,703	(90,514)	13,113,598
Infrastructure	41,343,770	121,248	-	41,465,018
Other assets	1,809,827	85,792	-	1,895,619
Total capital assets	<u>\$ 86,298,645</u>	<u>\$ 1,796,981</u>	<u>\$ (90,514)</u>	<u>\$ 88,005,112</u>

Note 5 - Long-Term Liabilities

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

	Balance May 31, 2015 (Restated)	Additions	Reductions	Balance May 31, 2016	Amounts Due Within One Year
Long-term debt					
Bonds payable	\$ 24,414,000	\$ 6,810,000	\$ (6,219,000)	\$ 25,005,000	\$ 3,045,000
Installment purchase debt	2,707,913	-	(192,437)	2,515,476	197,921
Pension related debt	1,803,324	154,835	(720,266)	1,237,893	141,172
Judgments and claims	277,664	822,256	(674,582)	425,338	-
Compensated absences	5,124,451	368,542	(655,846)	4,837,147	500,000
Net pension liability	1,272,587	10,700,641	(2,688,345)	9,284,883	-
Other post-employment benefits	13,753,791	1,842,441	-	15,596,232	-
	<u>\$ 49,353,730</u>	<u>\$ 20,698,715</u>	<u>\$ (11,150,476)</u>	<u>\$ 58,901,969</u>	<u>\$ 3,884,093</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, 2016
Serial bond	2002	2023	3.375-4.750%	\$ 1,105,000
Serial bond	2007	2027	3.800-4.000%	490,000
Serial bond	2009	2023	2.000-4.000%	2,225,000
Serial bond	2011	2024	1.750-2.250%	3,255,000
Serial bond - refunding	2012	2020	2.000-3.000%	2,725,000
Serial bond	2013	2022	1.500-2.450%	2,400,000
Serial bond	2014	2028	2.000-2.750%	5,915,000
Statutory bond	2015	2018	0.800-1.500%	80,000
Serial bond - Series A	2016	2028	1.000-2.250%	1,250,000
Serial bond - Series B	2016	2025	1.100-2.900%	2,275,000
Serial bond - refunding	2016	2027	2.000-4.000%	3,285,000
				<u>\$ 25,005,000</u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 5 - Long-Term Liabilities - Continued

Bonds Payable - Continued

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

	Principal	Interest	Total
Fiscal Year Ending May 31,			
2017	\$ 3,045,000	\$ 580,068	\$ 3,625,068
2018	3,095,000	515,888	3,610,888
2019	3,055,000	441,900	3,496,900
2020	2,925,000	365,337	3,290,337
2021	2,970,000	290,300	3,260,300
2022 through 2026	8,275,000	644,948	8,919,948
2027 through 2029	1,640,000	45,943	1,685,943
Total	\$ 25,005,000	\$ 2,884,384	\$ 27,889,384

Installment Debt Payable

Installment debt payable, \$2,515,476 as of year-end, represents principal due on the purchase of equipment within the Capital Projects Fund. The installment debt was issued at an interest rate of 2.85% to finance the acquisition of capital equipment related to energy efficiency projects throughout the Village.

A summary of aggregate minimum maturities of installment debt is as follows:

	Principal	Interest	Total
Fiscal Year Ending May 31,			
2017	\$ 197,921	\$ 71,691	\$ 269,612
2018	203,562	66,050	269,612
2019	209,364	60,249	269,613
2020	215,331	54,282	269,613
2021	221,467	48,145	269,612
2022 through 2026	1,205,690	142,372	1,348,062
2027	262,141	7,471	269,612
Total	\$ 2,515,476	\$ 450,260	\$ 2,965,736

Pension Related Debt

Pension related debt is the amount due to the New York State and Local Retirement System of \$1,237,893, which is the amount of the required annual contribution the Village has elected to amortize under Chapters 260 and 57 of the Laws of 2013. The contributions will be paid over a ten-year period at interest rates ranging from 3% to 5%. See Note 7 for a summary of aggregate minimum maturities of pension related debt.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 6 - Fund Balances

The specific purposes that comprise the classifications of fund balances at May 31, 2016, are as follows:

	General Fund	Capital Projects	Debt Service Fund	Private Purpose Trust	Library Fund	Total
Nonspendable						
Prepaid expenditures	\$ 47,695	\$ -	\$ -	\$ -	\$ -	\$ 47,695
Restricted for						
General	2,617,259	-	-	-	-	2,617,259
Capital	31,848	3,976,167	-	-	-	4,008,015
Miscellaneous	40,630	-	-	-	-	40,630
Repairs	24,350	-	-	-	-	24,350
Debt (mandatory reserve)	-	-	119,859	-	-	119,859
Donations	-	-	-	45,222	-	45,222
	<u>2,714,087</u>	<u>3,976,167</u>	<u>119,859</u>	<u>45,222</u>	<u>-</u>	<u>6,855,335</u>
Assigned						
Library services	-	-	-	-	32,378	32,378
Appropriations	1,323,977	-	-	-	-	1,323,977
Unassigned	<u>9,367,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,367,249</u>
Total fund balance	<u>\$ 13,453,008</u>	<u>\$ 3,976,167</u>	<u>\$ 119,859</u>	<u>\$ 45,222</u>	<u>\$ 32,378</u>	<u>\$ 17,626,634</u>

Note 7 - New York State Retirement Systems

a. Plan Description

The Village participates in the New York State and Local Retirement System (System), which is composed of two plans: the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multi-employer retirement systems. The System provides 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.

Generally all of the Village's employees, except certain part-time employees, participate in the above-mentioned retirement system. 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.

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. The Systems issue a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 7 - New York State Retirement Systems - Continued

b. Funding Policy

Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of payroll of members, which shall be used in computing the contributions.

The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
For the year ended May 31,		
2016	\$ 1,220,792	\$ 1,645,415
2015	1,139,127	1,756,702
2014	1,003,873	1,618,880

The Village's contribution made to the System was equal to 100% of the contribution required for the year.

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:

- 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.
- 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.
- 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.

Chapter 57 of the Laws of 2013 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for up to 12 years in accordance with the following stipulations:

- The maximum amount an employer can amortize is the difference between the normal annual contribution (total bill, excluding payments for deficiency, group life, previous amortization, incentive costs, and prior year adjustments) and the grade contribution.
- For subsequent SFYs, the graded rate will increase or decrease by up to one-half of 1% depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- The interest rate will be set annually, and will be comparable to a 12-year United State Treasury Bond plus 1%.
- For SFYs in which the Systems' 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.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts related to the Systems' fiscal years when the local employer opts to participate in the programs. The total unpaid liability at the end of the fiscal year was \$1,237,893, which is reported in the non-current governmental liabilities account group.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 7 - New York State Retirement Systems - Continued

b. Funding Policy - Continued

For the years ending 2011 to 2015, the Village opted to amortize the allowable portions of the annual ERS and PFRS retirement payment over a ten-year period. The principal amount amortized was \$1,590,536 for ERS and \$738,974 for PFRS. Principal payments began in 2012 and will end in February 2025, with interest ranging from 3% to 5% per annum. The Village has repaid its pension related debt under Chapter 57 of the Laws of 2010 in full during the fiscal year ended May 31, 2016.

The maturity schedule for this debt is as follows:

	Principal	Interest	Total
Payable February 1,			
2017	\$ 141,172	\$ 37,734	\$ 178,906
2018	145,466	33,440	178,906
2019	149,890	29,016	178,906
2020	154,449	24,455	178,904
2021	159,146	19,760	178,906
2022	163,986	14,920	178,906
2023	168,949	9,937	178,886
2024	104,728	4,793	109,521
2025	50,107	1,578	51,685
	\$ 1,237,893	\$ 175,633	\$ 1,413,526

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At May 31, 2016, the Village reported a liability of \$9,284,883 for its proportionate share of the net pension liability of the System in the non-current governmental liabilities account group. The net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The Village's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2016 measurement date, the Village's proportionate share in the ERS was 0.0260916% and the PFRS was 0.1721537%.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 7 - New York State Retirement Systems - Continued

c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued

For the year ended May 31, 2016, the Village recognized pension expense of \$3,348,499 in the governmental funds. At May 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,879	\$ 1,267,012
Changes of assumptions	3,314,099	-
Net differences between projected and actual investment earnings on pension plan investments	5,340,935	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	363,233	-
Total	\$ 9,085,146	\$ 1,267,012

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

Year ending March 31,	
2017	\$ 1,900,978
2018	1,900,978
2019	1,900,978
2020	1,810,336
2021	304,864
Total	\$ 7,818,134

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2015 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.7%
Salary Scale	
ERS	4.9%, indexed by service
PFRS	6.0%, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of expenses
Cost of living adjustments	1.4% annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 7 - New York State Retirement Systems - Continued

d. Actuarial Assumptions - Continued

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

e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016, are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

f. Discount Rate

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

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 7 - New York State Retirement Systems - Continued

g. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	ERS		
	1% Decrease (6.00)%	Current Discount (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension liability (asset)	\$ 9,443,136	\$ 4,187,778	\$ (252,774)
	PFRS		
	1% Decrease (6.00)%	Current Discount (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension liability (asset)	\$ 11,384,920	\$ 5,097,105	\$ (173,447)

h. Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the New York State and Local Retirement System as of March 31, 2016, were as follows (amounts in thousands):

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727	\$ 202,651,271
Plan net position	156,253,265	27,386,940	183,640,205
Employers' net pension liability	\$ 16,050,279	\$ 2,960,787	\$ 19,011,066
Ratio of plan net position to the employers' total pension liability	90.7%	90.2%	90.6%

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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, 2016. However, the information contained in this note is based on information for the LOSAP for the plan year ended on December 31, 2015, 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.

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, 2016

Note 8 - Length of Service Award Program (LOSAP) - 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 Harbridge Consulting Group, LLC. Portions of the following information are derived from a report prepared by the actuary dated May 2016.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

Program Financial Condition - Continued

Prior service costs are being amortized over a range of 10 to 20 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, 2015		\$ 5,596,779
Less:		
Assets available for benefits:		
Group life annuity contract	3,146,507	
Other	61,846	
	<u>3,208,353</u>	
Total unfunded benefits		<u>2,388,426</u>

Receipts and Disbursements

Plan net assets, beginning of year		\$ 2,824,128
Add:		
Plan contributions	425,942	
Investment income	110,898	
	<u>536,840</u>	
Less:		
Plan benefit withdrawals	148,457	
Administrative fee	4,158	
	<u>152,615</u>	
Plan net assets, end of year		<u>\$ 3,208,353</u>

Contributions

Amount of sponsor's contribution recommended by actuary (minimum)	\$ 413,761
Amount of sponsor's actual contribution	425,942

Administration Fees

Fees paid to actuary	4,158
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Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 8 - 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 Unisex - 50% Male - 5.25%
Death (Actives)	RP 2000 Unisex - 50% Male - 5.25%
Death (Inactives)	RP 2000 Unisex - 50% Male - 5.25%

Note 9 - Other Postemployment Benefits

In addition to providing pension benefits, the Village provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the Village may vary according to the length of service. The cost of providing postemployment health care benefits is shared between the Village and the retired employee. Substantially all of the Village's employees may become eligible for those benefits if they reach normal retirement age while working for the Village. The cost of retiree health care benefits is recognized as an expenditure as claims are paid in the fund financial statements.

The Village's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC"), which is an amount actuarially determined on the accrual basis of accounting. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Village is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 9 - Other Postemployment Benefits - Continued

	<u>Pre-65 Healthcare Cost Trend Rate %</u>	<u>Post-65 Healthcare Cost Trend Rate %</u>
Year ended May 31,		
2017	5.50%	10.00%
2018	5.00%	8.00%
2019	4.75%	7.00%
2020	4.50%	6.50%
2021	4.40%	6.00%

The amortization basis is the level dollar method with an open amortization approach with 30 years remaining in the amortization period. The actuarial assumptions also include a 4.0% investment rate of return, a 2.2% inflation rate, and a 1.6% annual payroll growth rate. The Village currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the entry age method.

The number of participants as of May 31, 2016, was as follows:

Active employees	140
Retired employees	<u>115</u>
	<u>255</u>
	<u>Governmental Funds</u>
Amortization component	
Actuarial accrued liability as of June 1, 2015	\$ 35,791,811
Assets at fair value	<u>-</u>
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 35,791,811</u>
Funded ratio	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ 16,632,250</u>
UAAL as a percentage of covered payroll	215.20%
Annual required contribution	\$ 3,410,180
Interest on net OPEB obligation	550,152
Adjustments to annual required contribution	<u>(764,791)</u>
Annual OPEB cost	3,195,541
Contributions made	<u>(1,353,100)</u>
Increase in net OPEB obligation	<u>1,842,441</u>
Net OPEB obligation, <i>beginning of year</i>	<u>13,753,791</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 15,596,232</u>

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 9 - Other Postemployment Benefits - Continued

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal Year Ended May 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 3,195,541	42.30%	\$ 15,596,232

The assumptions used by the Village to determine the actuarial present value of the benefits are:

Assumption	Factor
Average Retirement Age	55
Future Contribution Strategy	Remain a level % of total cost over time.
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar open
Assets Backing OPEB Liability	\$0
Discount Rate	4.00%
Amortization Period	30 years
Participant Percent UAL and ARC	95% Retiree, 95% Spouse, 25% Surviving Spouse Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table	RPH-2014 SOA Mortality Table
Turnover Assumption	NYS Department of Civil Service actuarial consultant report titled, <u>Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.</u>

Note 10 - 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, 2016, a liability has been recorded in the General Fund. For any unsettled proceedings at May 31, 2016, it is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2016, which could affect future operating budgets of the Village.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

Note 10 - Contingencies - Continued

c. 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. For the years ended May 31, 2016 and 2015, the Village paid \$50,000. The outstanding balance owed as of May 31, 2016, is \$200,000. 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 OSC.

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements. The provisions of GASB 72 are effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. GASB 75 establishes financial reporting standards for other postemployment benefits ("OPEB") plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of GASB 77 are effective for financial statement periods beginning after December 15, 2015.

Incorporated Village of Lynbrook, New York

Notes to Regulatory Financial Statements May 31, 2016

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

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

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, 2016, and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

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.

BST & CO. CPAs, LLP

Albany, New York
March 20, 2017