

Village of Lynbrook, New York

Financial Report

May 31, 2018

Incorporated Village of Lynbrook, New York

Financial Report

May 31, 2018

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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 activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Incorporated Village of Lynbrook, New York (Village) as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Village as of May 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1p to the financial statements, in the year ended May 31, 2018, the Village adopted new accounting guidance in Governmental Account Standards Board (GASB) Statement 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*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of funding progress - other postemployment benefits, schedule of proportionate share of the net pension liability, schedule of pension contributions and schedule of changes in total pension liability - LOSAP on pages 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining financial statements of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements of non-major governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, 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 solely 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 the effectiveness of the Village's 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
February 6, 2019



Incorporated Village of Lynbrook, New York

Statement of Net Position

	May 31, 2018		
	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 2,323,405	\$ 619	\$ 2,324,024
Cash and cash equivalents, restricted	3,041,948	-	3,041,948
Investments	11,886,002	-	11,886,002
Investments, restricted	3,813,670	-	3,813,670
Receivables			
Accounts	1,160,550	-	1,160,550
Taxes	401,492	-	401,492
State and Federal aid	3,092	-	3,092
Due from fiduciary fund	27,366	-	27,366
Prepaid expenses	35,875	-	35,875
Capital assets			
Non-depreciable	14,397,300	-	14,397,300
Depreciable, net	<u>29,682,659</u>	<u>-</u>	<u>29,682,659</u>
Total assets	<u>66,773,359</u>	<u>619</u>	<u>66,773,978</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension and LOSAP deferrals	<u>7,373,634</u>	<u>-</u>	<u>7,373,634</u>
Total assets and deferred outflows of resources	<u>74,146,993</u>	<u>619</u>	<u>74,147,612</u>
LIABILITIES			
Accounts payable and accrued expenses	2,483,324	-	2,483,324
Interest payable	179,341	-	179,341
Bond anticipation notes payable	268,000	-	268,000
Unearned revenues	15,271	-	15,271
Judgments and claims	722,391	-	722,391
Long-term liabilities			
Due within one year	3,785,057	-	3,785,057
Due in more than one year			
Compensated absences	4,686,241	-	4,686,241
Installment purchase debt	1,904,629	-	1,904,629
Bonds payable	15,810,000	-	15,810,000
Net pension liability	2,835,426	-	2,835,426
Length of service award program obligations	8,721,305	-	8,721,305
Other post-employment benefits	<u>19,578,491</u>	<u>-</u>	<u>19,578,491</u>
Total liabilities	<u>60,989,476</u>	<u>-</u>	<u>60,989,476</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes received in advance	1,154,329	-	1,154,329
Pension and LOSAP deferrals	<u>6,936,055</u>	<u>-</u>	<u>6,936,055</u>
Total deferred inflow of resources	<u>8,090,384</u>	<u>-</u>	<u>8,090,384</u>
Total liabilities and deferred inflows of resources	<u>69,079,860</u>	<u>-</u>	<u>69,079,860</u>
NET POSITION			
Net investment in capital assets	23,100,966	-	23,100,966
Restricted for			
Employee benefits	587,366	-	587,366
Capital	969,207	-	969,207
Property seizure	27,399	-	27,399
Repairs	4,448	-	4,448
Debt	163,703	-	163,703
Unrestricted (deficit)	<u>(19,785,956)</u>	<u>619</u>	<u>(19,785,337)</u>
Total net position	<u>\$ 5,067,133</u>	<u>\$ 619</u>	<u>\$ 5,067,752</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Lynbrook, New York

Statement of Activities

Year Ended May 31, 2018					
Program Revenues					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
GOVERNMENTAL ACTIVITIES					
General government support	\$ 7,757,294	\$ 487,145	\$ 44,297	\$ -	\$ (7,225,852)
Public safety	20,421,305	194,874	37,528	-	(20,188,903)
Health	67,903	-	-	-	(67,903)
Transportation	5,494,372	895,625	-	263,875	(4,334,872)
Economic opportunity and development	47,713	4,348	-	-	(43,365)
Culture and recreation	5,129,694	549,291	-	186,500	(4,393,903)
Home and community services	4,077,526	109,405	92,709	-	(3,875,412)
Interest on long-term debt	558,727	-	-	-	(558,727)
Total governmental activities	\$ 43,554,534	\$ 2,240,688	\$ 174,534	\$ 450,375	(40,688,937)
General revenues					
Real property taxes					
31,378,130					
Other tax items					
1,758,357					
Nonproperty taxes					
932,953					
Use of money and property					
414,568					
Sale of property and compensation for loss					
200,711					
Miscellaneous local sources					
2,245,437					
Unrestricted State aid					
529,903					
Total general revenues					
37,460,059					
CHANGE IN NET POSITION					(3,228,878)
NET POSITION, beginning of year, as restated					<u>8,296,011</u>
NET POSITION, end of year					<u>\$ 5,067,133</u>

See accompanying Notes to Financial Statements.

Incorporated Village of Lynbrook, New York

Balance Sheet - Governmental Funds

	May 31, 2018			
	Major Funds			
	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,323,304	\$ -	\$ 101	\$ 2,323,405
Cash and cash equivalents, restricted	636,571	2,390,939	14,438	3,041,948
Investments	11,886,002	-	-	11,886,002
Investments, restricted	3,813,670	-	-	3,813,670
Receivables				
Accounts	875,028	-	285,522	1,160,550
Taxes	401,492	-	-	401,492
Due from other funds	1,832,146	735,674	149,265	2,717,085
Due from fiduciary fund	27,366	-	-	27,366
State and Federal aid	-	-	3,092	3,092
Prepaid expenditures	33,836	-	2,039	35,875
	\$ 21,829,415	\$ 3,126,613	\$ 454,457	\$ 25,410,485
LIABILITIES				
Accounts payable	\$ 438,227	\$ 42,698	\$ 29,791	\$ 510,716
Accrued liabilities	1,923,294	-	49,314	1,972,608
Due to other funds	735,674	1,864,066	117,345	2,717,085
Bond anticipation notes payable	-	268,000	-	268,000
Unearned revenues	15,271	-	-	15,271
Judgments and claims	722,391	-	-	722,391
Total liabilities	3,834,857	2,174,764	196,450	6,206,071
DEFERRED INFLOWS OF RESOURCES				
Property taxes received in advance	1,154,329	-	-	1,154,329
Unavailable property tax receivables	382,393	-	-	382,393
Total deferred inflows of resources	1,536,722	-	-	1,536,722
FUND BALANCES				
Nonspendable	33,833	-	2,039	35,872
Restricted	4,450,241	951,849	163,703	5,565,793
Assigned	2,429,423	-	92,265	2,521,688
Unassigned	9,544,339	-	-	9,544,339
Total fund balances	16,457,836	951,849	258,007	17,667,692
	\$ 21,829,415	\$ 3,126,613	\$ 454,457	\$ 25,410,485
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,829,415	\$ 3,126,613	\$ 454,457	\$ 25,410,485

See accompanying Notes to Financial Statements.

Incorporated Village of Lynbrook, New York

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

	<u>May 31, 2018</u>
Total fund balances in the fund financial statements for the governmental funds	\$ 17,667,692
Amounts reported in governmental activities in the statement of net position are different because:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	44,079,959
Deferred inflows of resources related to the Village's revenues that will be collected after year-end but are not available soon enough to pay current period's expenditures are deferred in the funds.	382,393
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Interest payable	(179,341)
Compensated absences	(5,206,934)
Installment purchase debt	(2,113,993)
Bonds payable	(18,865,000)
Net pension liability, net of deferred amounts	(2,202,096)
Length of service award program, net of deferred amounts	(8,917,056)
Other post-employment benefits	(19,578,491)
Total net position - governmental activities	<u>\$ 5,067,133</u>

Incorporated Village of Lynbrook, New York

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	Year Ended May 31, 2018			
	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
REVENUES				
Real property taxes	\$ 31,413,895	\$ -	\$ -	\$ 31,413,895
Other tax items	1,758,357	-	-	1,758,357
Nonproperty taxes	932,953	-	-	932,953
Departmental income	1,261,261	-	8,313	1,269,574
Intergovernmental charges	15,219	-	109,405	124,624
Use of money and property	376,685	-	37,883	414,568
Licenses and permits	846,490	-	-	846,490
Fines and forfeitures	2,000,567	-	-	2,000,567
Sale of property and compensation for loss	200,374	-	337	200,711
Miscellaneous	244,100	-	770	244,870
State aid	792,306	239,000	9,433	1,040,739
Federal aid	21,364	-	92,709	114,073
Total revenues	39,863,571	239,000	258,850	40,361,421
EXPENDITURES				
General governmental support	4,531,773	-	183	4,531,956
Public safety	12,151,625	-	-	12,151,625
Health	42,393	-	-	42,393
Transportation	2,633,656	-	-	2,633,656
Economic opportunity and development	29,788	-	-	29,788
Culture and recreation	1,888,448	-	1,138,500	3,026,948
Home and community services	2,360,999	-	92,709	2,453,708
Employee benefits	11,634,901	-	417,652	12,052,553
Capital outlays	-	2,584,162	-	2,584,162
Debt service				
Principal	67,000	-	3,298,562	3,365,562
Interest	4,993	-	581,938	586,931
Total expenditures	35,345,576	2,584,162	5,529,544	43,459,282
Excess (deficiency) of revenues over expenditures	4,517,995	(2,345,162)	(5,270,694)	(3,097,861)
OTHER FINANCING SOURCES (USES)				
BANs redeemed from appropriations	-	67,000	-	67,000
Operating transfers in	226,064	420,000	5,338,816	5,984,880
Operating transfers out	(5,758,816)	(226,064)	-	(5,984,880)
Total other financing sources (uses)	(5,532,752)	260,936	5,338,816	67,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,014,757)	(2,084,226)	68,122	(3,030,861)
FUND BALANCES, beginning of year, as restated	17,472,593	3,036,075	189,885	20,698,553
FUND BALANCES, end of year	\$ 16,457,836	\$ 951,849	\$ 258,007	\$ 17,667,692

See accompanying Notes to Financial Statements.

Incorporated Village of Lynbrook, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

		Year Ended May 31, 2018
Net change in fund balances shown for total governmental funds		\$ (3,030,861)
Amounts reported in governmental activities in the statement of activities are difference because of the following:		
Capital outlays are reported as expenditures in the governmental funds and the sale of capital assets is recorded as revenue in the governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Dispositions, net	\$ (42,318)	
Capital expenditures	2,300,579	
Depreciation expense	<u>(2,597,874)</u>	(339,613)
Bond and installment purchase debt principal payments are shown as expenditures in the governmental funds. These payments are shown in the statement of net position as a reduction of the related liabilities, and not shown as expenses in the statement of activities.		3,298,562
Real property taxes that do not provide current financial resources are reported as revenues in the statement of activities, but not in the fund financial statements.		(35,765)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Interest payable		28,204
Compensated absences		(859)
Pension contributions payable		(1,096,720)
Net pension liability, net of deferred amounts		292,651
Length of service award program, net of deferred amounts		(236,001)
Other post-employment benefits		<u>(2,108,476)</u>
Change in net position of governmental activities		<u><u>\$ (3,228,878)</u></u>

Incorporated Village of Lynbrook, New York

Statement of Net Position - Proprietary Fund

	<u>May 31, 2018</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

	<u>May 31, 2018</u>	
	<u>Trust and Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash and cash equivalents	\$ 337,688	\$ -
Cash, restricted	-	49,003
	<u>\$ 337,688</u>	<u>\$ 49,003</u>
LIABILITIES		
Accounts payable	\$ 4,521	\$ -
Due to other funds	27,366	-
Other liabilities	305,801	-
Total liabilities	<u>\$ 337,688</u>	-
NET POSITION		
Restricted		<u>\$ 49,003</u>

Incorporated Village of Lynbrook, New York

Statement of Revenues, Expenses, and Changes in Net Position - Fiduciary Funds

	<u>Year Ended</u> <u>May 31, 2018</u> <u>Private</u> <u>Purpose Trust</u>
REVENUES	
Gifts and donations	\$ 3,543
EXPENDITURES	
Culture and recreation	<u>334</u>
Excess of revenues over expenditures	3,209
NET POSITION, <i>beginning of year</i>	<u>45,794</u>
NET POSITION, <i>end of year</i>	<u><u>\$ 49,003</u></u>

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Incorporated Village of Lynbrook, New York (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The basic financial statements have been prepared primarily from accounts maintained by the Village Treasurer. Additional data has been derived from Village departments on independent or subsidiary accounting systems maintained by them.

Organization

The 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.

The following is a summary of the Village's significant accounting policies:

a. 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 a potential component unit in the reporting entity is made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village and is generally available to all its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

a. Financial Reporting Entity - Continued

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.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the Village as a whole. The effect of interfund activity within the governmental and business-type activities has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the Village's activities at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The statement of activities identifies the net expense or revenue from each activity and identifies the amount of general revenues needed to help finance the specific activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

The Village uses funds 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.

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.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

b. Government-Wide and Fund Financial Statements - Continued

Governmental Funds - Continued

The following are the Village's major governmental funds:

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.

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.

The Village's non-major funds include:

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 - 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.

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 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.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

c. Basis of Accounting and Measurement Focus

The government-wide financial statements 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 related cash flows. Taxes are recognized as revenue in the year in which they are earned. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety-day availability period is generally used for revenue recognition for most other governmental fund revenues. Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next twelve months, with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 requires that expenditures and liabilities, such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies are recognized as revenues when all requirements of the grant and/or subsidy have been satisfied.

The Village reports deferred inflows of resources on its governmental 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 property taxes or 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.

The Village’s proprietary fund and fiduciary funds 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.

d. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting year. Actual results could differ from those estimates.

e. Cash, Cash Equivalents, and Investments

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

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

e. Cash, Cash Equivalents, and Investments - Continued

Cash

The Village is required to collateralize its cash deposits in excess of the Federal Depository Insurance Corporation (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, 2018, the collateral was sufficient to secure the Village's deposits.

Restricted cash and cash equivalents in the General Fund are for capital and other reserve purposes, and restricted cash and cash equivalents in the Debt Service Fund are for retiring debt. Restricted cash in the Capital Projects Fund is restricted for various capital related activities in accordance with debt agreements. Restricted cash in the Private Purpose Trust Fund is restricted for various special events located within the Village.

Investments

The Village's investment policies are governed by State statutes. Village monies must be deposited in 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.

Investments in marketable securities are reported at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

The Village has \$11,886,002 invested with the New York Cooperative Liquid Assets Securities System (NYCLASS) that is valued at Net Asset Value (NAV) as a practical expedient and, therefore, is excluded from the fair value hierarchy. NYCLASS is a short-term, highly liquid investment fund that operates like a money market mutual fund with each share valued at \$1.00, its NAV as reported by NYCLASS. The NAV, which is based on the fair value of the underlying investments held by NYCLASS less its liabilities, is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that NYCLASS will sell its investments for an amount different than the reported NAV. Participants can conduct transactions (deposits, withdrawal, or transfers) on a normal business day. There are no limits on the dollar amount or number of daily transactions, except that total daily withdrawals may not exceed the total balance on deposit.

The Village has also accumulated investments that are restricted for volunteer firefighters under a Length of Service Award Program benefit plan. Assets held under this plan are invested in an unallocated group annuity contract that is backed by the general assets of the issuer. The plan also maintains a checking account to pay benefits as they become due. These investments are reported at contract value, which may be different than liquidation value.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

f. 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, 2018, management has determined no allowance for doubtful accounts is necessary.

g. Prepaid Expenses/Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures. .

h. 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. Depreciation of capital assets for governmental activities is computed using the straight-line method of depreciation over the useful lives of the asset, as the following schedule indicates:

Land improvements	5 - 50 years
Buildings and improvements	5 - 50 years
Machinery and equipment	5 - 50 years
Infrastructure	10 - 50 years
Other assets	5 - 10 years

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. Improvements are capitalized and depreciated over the remaining useful lives of the operating property using the applicable depreciation methods.

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

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2018.

i. 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 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 statement of net position in the government-wide financial statements.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

j. 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 statement of net position in the government-wide financial statements. Compensated absences were not considered due and payable on the modified accrual basis of accounting as of May 31, 2018 and are, therefore, excluded from the governmental fund balance sheet.

k. Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of net assets that applies to a future period(s), and as such, will not be recognized as an outflow of resources (expenses/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to a future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows arise when resources are received by the Village before it has legal claim to them, as with property taxes received in advance and property tax receivables that were not collected within the availability period. In subsequent periods, when the Village has legal claim to the resources, the deferred inflow is removed from the balance sheet and revenue is recognized.

Pension and Length of Service Award Program (LOSAP) deferred outflows and deferred inflows of resources are reported in the governmental and business-type government-wide activities, and the respective enterprise funds. Further detail of the pension and LOSAP related deferred outflows and deferred inflows of resources are disclosed in Notes 7 and 8, respectively.

l. Employee Benefits

Net Pension Liability - New York State and Local Retirement System

The net pension liability represents the Village's proportionate share of the net pension liability of the New York State and Local Retirement System, as described in Note 8.

LOSAP

The Village sponsors a separate LOSAP plan for active volunteer firefighters of the Lynbrook Fire Department, as described in Note 9.

Other Postemployment Benefits

The Village provides certain health care benefits for retired employees through a single employer defined benefit plan, as described in Note 10.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

m. 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. The Village did not have a committed fund balance at May 31, 2018.

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

n. 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 and are considered fully collectible by management. The Village received approximately \$1.1 million in property tax revenue in advance of the June 1, 2018 enforceable lien, and has recorded this balance as a deferred inflow of resources. The Village has approximately \$382,000 of property tax receivables that were not collected within the availability period and has recorded this balance as a deferred inflow of resources.

o. 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 statement of net position and balance sheet. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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

o. Interfund Transactions - Continued

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 and transfers.

p. New Accounting Pronouncements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting practices established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

To comply with the provisions of this accounting standard, the Village has restated its opening net position and opening fund balance as follows:

	As Originally Stated	Adoption of GASB 73	As Restated
<i>General Fund</i>			
Investments, restricted	\$ -	\$ 3,420,663	\$ 3,420,663
Fund balance	14,051,930	3,420,663	17,472,593
<i>Governmental Activities</i>			
Investments, restricted	-	3,420,663	3,420,663
Length of service program award obligations	6,101,495	2,579,560	8,681,055
Net position	7,454,908	841,103	8,296,011
<i>Trust and Agency Fund</i>			
Service award program assets	3,420,663	(3,420,663)	-
Service award program liabilities	3,420,663	(3,420,663)	-

q. Subsequent Events

The Village has evaluated subsequent events for potential recognition or disclosure through February 6, 2019, the date the financial statements were available to be issued.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

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, must 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, 2018 are as follows:

	Due to Other Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Other Governmental Funds	
Due from Other Funds				
Governmental funds				
General Fund	\$ -	\$ 735,674	\$ -	\$ 735,674
Capital Projects Fund	1,714,801	-	149,265	1,864,066
Other Governmental Funds	117,345	-	-	117,345
Total Governmental Funds	1,832,146	735,674	149,265	2,717,085
Trust and Agency Fund	27,366	-	-	27,366
Total	\$ 1,859,512	\$ 735,674	\$ 149,265	\$ 2,744,451

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 3 - Interfund Transactions - Continued

	Interfund Transfers Out		
	General Fund	Capital Projects Fund	Total
Interfund Transfers In			
General Fund	\$ -	\$ 226,064	\$ 226,064
Capital Projects Fund	420,000	-	420,000
Other Governmental Funds	5,338,816	-	5,338,816
	\$ 5,758,816	\$ 226,064	\$ 5,984,880

Note 4 - Capital Assets

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

	Balance May 31, 2017	Additions	Disposals	Balance May 31, 2018
Capital assets not being depreciated				
Land	\$ 14,397,300	\$ -	\$ -	\$ 14,397,300
Depreciable capital assets				
Land improvements	5,065,957	188,922	-	5,254,879
Buildings and improvements	12,771,262	406,548	-	13,177,810
Machinery and equipment	13,903,987	2,240,849	(727,598)	15,417,238
Infrastructure	41,489,851	186,213	-	41,676,064
Other assets	1,895,619	5,645	-	1,901,264
Total depreciable capital assets	75,126,676	3,028,177	(727,598)	77,427,255
Less accumulated depreciation				
Land improvements	2,321,668	209,110	-	2,530,778
Buildings and improvements	5,815,821	455,765	-	6,271,586
Machinery and equipment	9,731,754	929,166	(685,280)	9,975,640
Infrastructure	26,428,249	941,296	-	27,369,545
Other assets	1,534,510	62,537	-	1,597,047
Total accumulated depreciation	45,832,002	2,597,874	(685,280)	47,744,596
Net depreciable capital assets	29,294,674	430,303	(42,318)	29,682,659
Total capital assets	\$ 43,691,974	\$ 430,303	\$ (42,318)	\$ 44,079,959

Depreciation expense for 2018 was charged to functions of the primary government as follows:

General government support	\$ 433,141
Public safety	621,874
Transportation	1,192,288
Culture and recreation	203,312
Home and community services	147,259
Total depreciation expense	\$ 2,597,874

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 5 - Bond Anticipation Notes (BANS) Payable

The following table summarizes the Village BAN activity for the period ending May 31, 2018:

Issuance/ Renewal	Purpose	Opening Balance	Issuances	Repayments	Ending Balance
February 15, 2018	Sanitation Trucks	\$ 335,000	\$ -	\$ 67,000	\$ 268,000

The Village's BAN matures one year from the date of issuance at an interest rate of 2.00% per annum. Interest incurred on the BAN during the year was \$4,993.

Note 6 - Long-Term Liabilities

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

	(Restated) Balance May 31, 2017	Additions	Reductions	Balance May 31, 2018	Amounts Due Within One Year
Compensated absences	\$ 5,206,075	\$ 521,467	\$ (520,608)	\$ 5,206,934	\$ 520,693
Installment purchase debt	2,317,555	-	(203,562)	2,113,993	209,364
Bonds payable	21,960,000	-	(3,095,000)	18,865,000	3,055,000
Pension contributions payable	1,096,720	-	(1,096,720)	-	-
Net pension liability	6,159,498	3,126,451	(6,450,523)	2,835,426	-
Length of service award program obligations	8,681,055	302,638	(262,388)	8,721,305	-
Other post-employment benefits	17,470,015	3,725,504	(1,617,028)	19,578,491	-
	<u>\$ 62,890,918</u>	<u>\$ 7,676,060</u>	<u>\$ (13,245,829)</u>	<u>\$ 57,321,149</u>	<u>\$ 3,785,057</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, 2018
Serial bond	2002	2023	3.375-4.750%	\$ 670,000
Serial bond	2009	2023	2.000-4.000%	1,610,000
Serial bond	2011	2024	1.750-2.250%	2,300,000
Serial bond - refunding	2012	2020	2.000-3.000%	1,875,000
Serial bond	2013	2022	1.500-2.450%	1,370,000
Serial bond	2014	2028	2.000-2.750%	5,045,000
Serial bond - Series A	2016	2028	1.000-2.250%	1,150,000
Serial bond - Series B	2016	2025	1.100-2.900%	2,075,000
Serial bond - refunding	2016	2029	2.000-4.000%	2,770,000
				<u>\$ 18,865,000</u>

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 6 - 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,			
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	2,470,000	226,772	2,696,772
2023	2,075,000	167,219	2,242,219
2024 through 2028	5,250,000	295,551	5,545,551
2029	120,000	1,250	121,250
Total	\$ 18,865,000	\$ 1,788,329	\$ 20,653,329

Installment Debt Payable

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,			
2019	\$ 209,364	\$ 60,249	\$ 269,613
2020	215,331	54,282	269,613
2021	221,467	48,145	269,612
2022	227,779	41,833	269,612
2023	234,271	35,341	269,612
2024 through 2027	1,005,781	72,669	1,078,450
Total	\$ 2,113,993	\$ 312,519	\$ 2,426,512

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 7 - Fund Balances

The specific purposes that comprise the classifications of fund balances at May 31, 2018 are as follows:

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
Nonspendable				
Prepaid expenditures	\$ 33,833	\$ -	\$ -	\$ 33,833
Restricted for				
Length of service award program	3,813,670	-	-	3,813,670
Employee benefits	587,366	-	-	587,366
Capital	17,358	951,849	-	969,207
Property seizure	27,399	-	-	27,399
Repairs	4,448	-	-	4,448
Debt	-	-	163,703	163,703
	<u>4,450,241</u>	<u>951,849</u>	<u>163,703</u>	<u>5,565,793</u>
Assigned				
Library services	-	-	92,265	92,265
Cable and telecom	42,095	-	-	42,095
Encumbrances	279,786	-	-	279,786
Appropriations	2,107,542	-	-	2,107,542
	<u>2,429,423</u>	<u>-</u>	<u>92,265</u>	<u>2,521,688</u>
Unassigned	<u>9,544,339</u>	<u>-</u>	<u>-</u>	<u>9,544,339</u>
Total fund balance	<u>\$ 16,457,836</u>	<u>\$ 951,849</u>	<u>\$ 255,968</u>	<u>\$ 17,665,653</u>

Note 8 - 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.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement Systems - Continued

a. Plan Description - Continued

The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues 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.

b. Funding Policy

Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of payroll of members, which is 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,		
2018	\$ 1,255,876	\$ 1,843,388
2017	1,242,225	1,975,396
2016	1,220,792	1,645,415

The Village's contribution made to the System was equal to 100% of the contribution required for the year. In addition to the required contributions, the Village repaid the previously amortized pension contributions, permissible under Chapter 57 of the Laws of 2013 of the State of New York, which totaled \$978,834.

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

At May 31, 2018, the Village reported a liability of \$904,311 for its proportionate share of the net pension liability of the ERS and a liability of \$1,931,115 for its proportionate share of the net pension liability of the PFRS. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. 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, 2018 measurement date, the Village's proportionate share in the ERS was 0.0280194% and the PFRS was 0.1910564%.

For the year ended May 31, 2018, the Village recognized pension expense of \$1,137,918 and \$1,988,533 related to ERS and PFRS, respectively, in the government-wide financial statements. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement Systems - Continued

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

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 322,539	\$ 266,534
Changes of assumptions	599,633	-
Net differences between projected and actual investment earnings on pension plan investments	1,313,441	2,592,600
Changes in proportion and differences between employer contributions and proportionate share of contributions	148,195	34,564
Pension contributions subsequent to the measurement date	208,418	-
Total	\$ 2,592,226	\$ 2,893,698

	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 794,828	\$ 513,142
Changes of assumptions	1,463,170	-
Net differences between projected and actual investment earnings on pension plan investments	1,563,011	3,147,820
Changes in proportion and differences between employer contributions and proportionate share of contributions	474,990	-
Pension contributions subsequent to the measurement date	299,765	-
Total	\$ 4,595,764	\$ 3,660,962

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2019. Other amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS	Total
Year ending May 31,			
2019	\$ 238,238	\$ 539,238	\$ 777,476
2020	184,019	495,097	679,116
2021	(644,241)	(313,838)	(958,079)
2022	(287,906)	(206,156)	(494,062)
2023	-	120,696	120,696
Total	\$ (509,890)	\$ 635,037	\$ 125,147

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement Systems - Continued

d. Actuarial Assumptions

The actuarial assumptions used in the April 1, 2017 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2018, 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	2.5%
Salary Scale	
ERS	3.8%, indexed by service
PFRS	4.5%, indexed by service
Investment rate of return, including inflation	7.0% compounded annually, net of expenses
Cost of living adjustments	1.3% annually
Decrement	Based on FY 2011 - 2015 experience
Mortality improvement	Society of Actuaries Scale MP-2014

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, 2018 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.50%
	<u>100.00%</u>	

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 8 - New York State Retirement Systems - Continued

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.

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 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		
		Current	
	1% Decrease (6.00)%	Discount (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension liability (asset)	\$ 6,842,264	\$ 904,311	\$ (4,118,959)

	PFRS		
		Current	
	1% Decrease (6.00)%	Discount (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension liability (asset)	\$ 9,459,126	\$ 1,931,115	\$ (4,383,119)

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, 2018 were as follows (amounts in thousands):

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	180,173,145	31,903,666	212,076,811
Employers' net pension liability	\$ 3,227,445	\$ 1,010,757	\$ 4,238,202
Ratio of plan net position to the employers' total pension liability	98.2%	96.9%	98.0%

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 9 - 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 program is considered a non-qualified deferred compensation plan, which is designed such that contributions do not result in immediate taxation to program participants. Funds deposited into the program cannot be revoked by the Village; however, the funds may be subject to the claims made by the Village's general unsecured creditors.

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.

The number of employees covered under the program are as follows:

Retirees and beneficiaries currently receiving benefits	56
Active, non-vested	167
Terminated members entitled to but not yet receiving benefits	116

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 Financial Statements May 31, 2018

Note 9 - 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 (investments, restricted) 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.

Significant Assumptions and Other Inputs

Significant actuarial assumptions used to estimate the program's pension liability are as follows:

Discount Rate	3.57%
Measurement Date	May 31, 2018
Post-Entitlement Age Mortality Table	RP 2014
Inflation	3.00%

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 9 - Length of Service Award Program (LOSAP) - Continued

Measurement of Total Pension Liability

The following table presents the changes in total pension liability for the program:

Beginning balance (restated)	\$ 8,681,055
Service cost	195,724
Interest	302,665
Change due to differences in experience	185,644
Changes of assumptions and other inputs	(381,395)
Benefit payments	<u>(262,388)</u>
Ending balance	<u><u>\$ 8,721,305</u></u>

The discount rate used to measure the total pension liability is 3.57%. The discount rate was based upon the Fidelity 20-Year GO AA Bond Index.

Sensitivity of the Total Pension Liability

The following presents the total pension liability of the Village as of May 31, 2018 calculated using the discount rate of 3.57%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.57%) or 1-percentage point higher (4.57%) than the current rate:

	<u>1% Decrease (2.57%)</u>	<u>Current Discount Rate (3.57%)</u>	<u>1% Increase (4.57%)</u>
Total LOSAP pension liability	<u>\$ 9,307,000</u>	<u>\$ 8,721,305</u>	<u>\$ 8,191,000</u>

Pension Expense and Deferred Outflows

For the year ended May 31, 2018, the Village recognized LOSAP pension expense of \$452,379 in the government-wide financial statements. The following table presents the components of pension expense:

Components of pension expense	
Service cost	\$ 160,240
Interest	307,457
Changes due to experience	14,528
Changes of assumptions or other inputs	<u>(29,846)</u>
	<u><u>\$ 452,379</u></u>

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 9 - Length of Service Award Program (LOSAP) - Continued

Pension Expense and Deferred Outflows - Continued

At May 31, 2018, the Village reported deferred outflows and deferred inflows of resources related to the program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,644	\$ -
Changes of assumptions	-	381,395
Total	\$ 185,644	\$ 381,395

Amounts recognized as deferred outflows and deferred inflows of resources related to the program will be recognized in pension expense as follows:

Year ending May 31,	
2019	\$ (15,318)
2020	(15,318)
2021	(15,318)
2022	(15,318)
2023	(15,318)
Thereafter	(119,161)
	\$ (195,751)

Note 10 - 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.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 10 - Other Postemployment Benefits - Continued

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.

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:

	Pre-65 Healthcare Cost <u>Trend Rate %</u>	Post-65 Healthcare Cost <u>Trend Rate %</u>
Year ending May 31,		
2019	7.70%	8.00%
2020	7.15%	7.50%
2021	6.88%	7.00%
2022	6.60%	6.50%
2023	6.60%	6.50%

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 3.61% investment rate of return, a 2.20% inflation rate, and a 3.50% 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, 2018 was as follows:

Active employees	148
Retired employees	123
	271
	271
	Governmental Funds
Amortization component	
Actuarial accrued liability as of June 1, 2017	\$ 50,167,860
Assets at fair value	-
	\$ 50,167,860
	\$ 50,167,860
Funded ratio	0.00%
	0.00%
Covered payroll (active plan members)	\$ 14,369,222
	\$ 14,369,222
UAAL as a percentage of covered payroll	349.13%

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 10 - Other Postemployment Benefits - Continued

	Governmental Funds
Annual required contribution	\$ 3,686,184
Interest on net OPEB obligation	630,668
Adjustments to annual required contribution	(591,348)
Annual OPEB cost	3,725,504
Contributions made	(1,617,028)
Increase in net OPEB obligation	2,108,476
 Net OPEB obligation, <i>beginning of year</i>	 17,470,015
Net OPEB obligation, <i>end of year</i>	\$ 19,578,491

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
2018	\$ 3,725,504	43.40%	\$ 19,578,491
2017	3,302,455	43.30%	17,470,015
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	None
Discount Rate	3.61%
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>

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 11 - Tax Abatements

Certain property values in the Village have been reduced as the result of payment in-lieu of tax (PILOT) agreements entered into by the Village of Lynbrook for the purpose of general economic development under Article 18-A of General Municipal Law (GML). These agreements reduce the assessed value of the properties for all taxing agencies in the Nassau County, including the Village. As a result of the agreement, the Village receives a PILOT payment, which is equal to the reduced assessed value times the Village's levied tax rate.

Information relevant to disclosure of these agreements for the year ended May 31, 2018 is as follows:

Property Owner	Village Parcel ID (SBL)	Full Assessed Value	Taxable Assessed Value	Tax Rate	PILOT Amount	Taxes Abated
225 Merrick Road, LLC 221-225 Merrick Road	7-9-4-8	\$ 129,855	\$ 90,516	0.2055	\$ 18,601	\$ 8,084
HP Lynbrook, LLC 444 Merrick Road	23-1-19 23-1-4-7	25,200 <u>852,000</u> <u>877,200</u>	613,835	0.2055	126,143	54,122
HSRE EB Lynbrook, LLC 8 Freer Street	28-2-2.2B2C2D	<u>758,800</u>	749,202	0.2055	153,961	1,972
Regal Cinemas, Inc. Blake Avenue 44 Blake Avenue 48 Blake Avenue 317-321 Merrick Road 333 Merrick Road Merrick Road	61-3-6 61-3-7 61-3-8 61-3-13 61-3-15 61-3-16	7,100 7,900 8,580 118,320 21,600 <u>5,700</u> <u>169,200</u>	167,061	0.2055	34,331	440
SLZM Realty, LLC 443 Sunrise Highway	31-2-4	<u>284,456</u>	86,813	0.2055	17,840	40,616
CMS Real Estate Holdings, LLC 266 Merrick Road	11-2-3-5	<u>218,880</u>	216,112	0.2055	44,411	569
PSEGLI Property 24 Broadway Broadway Horton Avenue Scranton Avenue Piccadilly Downs Special Franchise 208 Whitehall Street 151 Whitehall Street	24-2-5 24-2-6 25-2-3 28-5-1 38-3-7 127-40 47-1-2 47-3-1&A.15-17	319,600 19,600 12,500 15,800 11,200 883,852 1,162,200 <u>3,600,500</u> <u>6,025,252</u>	5,723,455	0.2055	1,176,170	62,019
Total		<u>\$ 8,463,643</u>	<u>\$ 7,646,994</u>		<u>\$ 1,571,457</u>	<u>\$ 167,822</u>

Note 12 - 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.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 12 - Contingencies - Continued

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. A liability is recorded at the government-wide level when a refund for a claim is probable and estimable, and at the fund level when a refund for a claim is due and payable. At May 31, 2018, a liability has been recorded in the Governmental Activities and the General Fund in the amount of \$722,391.

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 in 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. As the Village was compliant with the agreement, no amount was paid for the year ended May 31, 2018. The outstanding contingent balance as of May 31, 2018, is \$100,000. 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 financial statements.

Note 13 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This statement replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This 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, this statement lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 13 - 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 GASB Statements No. 67, *Financial Reporting for Pension Plan*, 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 were effective for reporting periods beginning after June 15, 2016, except for requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end, which are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement 85, *Omnibus 2017*. This statement addresses practice issues identified during the implementation and application of certain GASB statements and is effective for reporting periods beginning after June 15, 2017.

Statement 86, *Certain Debt Extinguishments*. This statement requires that debt be considered defeased in substance when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. The statement is effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effect for reporting periods beginning after December 15, 2019.

Incorporated Village of Lynbrook, New York

Notes to Financial Statements May 31, 2018

Note 13 - Accounting Standards Issued But Not Yet Implemented - Continued

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of the Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No 90, *Majority Equity Interest*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement required the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

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

Incorporated Village of Lynbrook, New York

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

	Year Ended May 31, 2018			
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 31,324,853	\$ 31,324,853	\$ 31,413,895	\$ 89,042
Other tax items	1,779,031	1,779,031	1,758,357	(20,674)
Nonproperty taxes	948,979	948,979	932,953	(16,026)
Departmental income	1,270,600	1,270,600	1,261,261	(9,339)
Intergovernmental charges	30,000	30,000	15,219	(14,781)
Use of money and property	116,700	116,700	376,685	259,985
Licenses and permits	581,700	581,700	846,490	264,790
Fines and forfeitures	1,930,900	1,930,900	2,000,567	69,667
Sale of property and compensation for loss	212,000	212,000	200,374	(11,626)
Miscellaneous	5,100	12,600	244,100	231,500
State aid	746,000	746,000	792,306	46,306
Federal aid	-	333,205	21,364	(311,841)
Total revenues	38,945,863	39,286,568	39,863,571	577,003
EXPENDITURES				
General governmental support	4,688,275	4,525,644	4,531,773	(6,129)
Public safety	12,806,279	12,931,353	12,151,625	779,728
Health	34,700	34,700	42,393	(7,693)
Transportation	2,622,100	2,746,900	2,633,656	113,244
Economic opportunity and development	62,000	62,000	29,788	32,212
Culture and recreation	1,680,875	1,828,662	1,888,448	(59,786)
Home and community services	2,456,900	2,572,100	2,360,999	211,101
Employee benefits	11,155,831	12,054,457	11,634,901	419,556
Debt service				
Principal	67,343	67,000	67,000	-
Interest	4,000	4,994	4,993	1
Total expenditures	35,578,303	36,827,810	35,345,576	1,482,234
Excess of revenues over expenditures	3,367,560	2,458,758	4,517,995	2,059,237
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	50,000	226,064	176,064
Operating transfers out	(5,009,281)	(6,348,361)	(5,758,816)	589,545
Total other financing sources (uses)	(4,959,281)	(6,298,361)	(5,532,752)	765,609
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,591,721)	(3,839,603)	(1,014,757)	\$ 2,824,846
FUND BALANCES, beginning of year, as restated	17,472,593	17,472,593	17,472,593	
FUND BALANCES, end of year	\$ 15,880,872	\$ 13,632,990	\$ 16,457,836	

Incorporated Village of Lynbrook, New York

Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
June 1, 2017	\$ -	\$50,167,860	\$50,167,860	0.00%	14,369,222	349.13%
June 1, 2016	-	37,210,720	37,210,720	0.00%	15,165,261	245.37%
June 1, 2015	-	35,791,811	35,791,811	0.00%	16,632,250	215.20%

Incorporated Village of Lynbrook, New York

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Employees' Retirement System			
Village's proportion of the net pension liability	0.0280194%	0.0259385%	0.0260916%
Village's proportionate share of the net pension liability	\$ 904,311	\$2,437,239	\$4,187,778
Village's covered-employee payroll	7,349,052	6,993,444	6,928,317
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.31%	34.85%	60.44%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%
		May 31,	
	<u>2018</u>	<u>2017</u>	<u>2016</u>
New York State and Local Police and Fire Retirement System			
Village's proportion of the net pension liability	0.1910564%	0.1795892%	0.1721537%
Village's proportionate share of the net pension liability	\$ 1,931,115	\$ 3,722,259	\$ 5,097,105
Village's covered-employee payroll	8,296,284	8,045,546	7,330,969
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.28%	46.26%	69.53%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.46%	90.20%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Incorporated Village of Lynbrook, New York

Required Supplementary Information Schedule of Pension Contributions

	Year Ended May 31,		
	2018	2017	2016
New York State and Local Employees' Retirement System			
Contractually required contribution	\$1,255,876	\$1,242,255	\$1,220,792
Contributions in relation to the contractually required contribution	1,255,876	1,242,255	1,220,792
Contribution deficiency (excess)	-	-	-
Village's covered-employee payroll	7,349,052	6,993,444	6,928,317
Contributions as a percentage of covered-employee payroll	17.09%	17.76%	17.62%
	Year Ended May 31,		
	2018	2017	2016
New York State and Local Police and Fire Retirement System			
Contractually required contribution	\$1,843,388	\$1,975,396	\$1,645,415
Contributions in relation to the contractually required contribution	1,843,388	1,975,396	1,645,415
Contribution deficiency (excess)	-	-	-
Village's covered-employee payroll	8,296,284	8,045,546	7,330,969
Contributions as a percentage of covered-employee payroll	22.22%	24.55%	22.44%

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Incorporated Village of Lynbrook, New York

Required Supplementary Information Schedule of Changes in Total Pension Liability - LOSAP

Measurement date as of May 31,	<u>2018</u>
Total Pension Liability	
Service cost	\$ 195,724
Interest	302,665
Changes due to differences in experience	185,644
Changes of assumptions and/or other inputs	(381,395)
Benefit payments	<u>(262,388)</u>
Net change in total pension liability	<u>40,250</u>
Total Pension Liability - Beginning	8,681,055
Total Pension Liability - Ending	8,721,305
Covered Payroll	None
Total Pension Liability as a Percentage of Covered Payroll	N/A

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Incorporated Village of Lynbrook, New York

Supplementary Information Combining Balance Sheet - Non-Major Governmental Funds

	May 31, 2018			
	Community Development	Library	Debt Service	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 101	\$ -	\$ 101
Cash and cash equivalents, restricted	-	-	14,438	14,438
Prepaid expenditures	-	2,039	-	2,039
Receivables				
Accounts	-	285,522	-	285,522
Due from other funds	-	-	149,265	149,265
State and Federal aid	3,092	-	-	3,092
	\$ 3,092	\$ 287,662	\$ 163,703	\$ 454,457
Total assets				
	\$ 3,092	\$ 287,662	\$ 163,703	\$ 454,457
LIABILITIES				
Accounts payable	\$ 3,092	\$ 26,699	\$ -	\$ 29,791
Accrued liabilities	-	49,314	-	49,314
Due to other funds	-	117,345	-	117,345
Total liabilities	3,092	193,358	-	196,450
FUND BALANCES				
Nonspendable	-	2,039	-	2,039
Restricted	-	-	163,703	163,703
Assigned	-	92,265	-	92,265
Total fund balances	-	94,304	163,703	258,007
	\$ 3,092	\$ 287,662	\$ 163,703	\$ 454,457
Total liabilities and fund balances				
	\$ 3,092	\$ 287,662	\$ 163,703	\$ 454,457

Incorporated Village of Lynbrook, New York

Supplementary Information Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds

	Year Ended May 31, 2018			Total
	Community Development	Library	Debt Service	
REVENUES				
Departmental income	\$ -	\$ 8,313	\$ -	\$ 8,313
Intergovernmental charges	-	109,405	-	109,405
Use of money and property	-	2,170	35,713	37,883
Sale of property and compensation for loss	-	337	-	337
Miscellaneous	-	770	-	770
State aid	-	9,433	-	9,433
Federal aid	92,709	-	-	92,709
	92,709	-	-	92,709
Total revenues	92,709	130,428	35,713	258,850
EXPENDITURES				
General governmental support	-	183	-	183
Culture and recreation	-	1,138,500	-	1,138,500
Home and community services	92,709	-	-	92,709
Employee benefits	-	417,652	-	417,652
Debt service				
Principal	-	-	3,298,562	3,298,562
Interest	-	-	581,938	581,938
	-	-	581,938	581,938
Total expenditures	92,709	1,556,335	3,880,500	5,529,544
Deficiency of revenues over expenditures	-	(1,425,907)	(3,844,787)	(5,270,694)
OTHER FINANCING SOURCES				
Operating transfers in	-	1,458,316	3,880,500	5,338,816
	-	1,458,316	3,880,500	5,338,816
Excess of revenues and other financing sources over expenditures	-	32,409	35,713	68,122
FUND BALANCES, beginning of year	-	61,895	127,990	189,885
FUND BALANCES, end of year	\$ -	\$ 94,304	\$ 163,703	\$ 258,007



**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 governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Incorporated Village of Lynbrook, New York (Village), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated February 6, 2019.

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 opinions 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST & CO. CPAs, LLP

Albany, New York
February 6, 2019

