



FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS  
February 28, 2017

**INCORPORATED VILLAGE OF LINDENHURST  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Incorporated Village of Lindenhurst  
Lindenhurst, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Lindenhurst (Village), as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Incorporated Village of Lindenhurst, as of February 28, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the Village's proportionate share of the net pension liability, and Village contributions on pages 3 through 12 and 45 through 48, respectively, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2017, on our consideration of the Incorporated Village of Lindenhurst's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Lindenhurst's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*  
July 7, 2017

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Incorporated Village of Lindenhurst's (Village) discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended February 28, 2017, in comparison with the year ended February 29, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

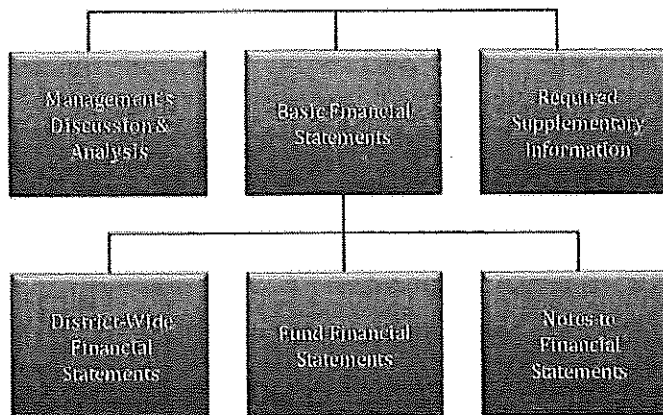
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2017 are as follows:

- The Village's total net position, as reflected in the government-wide financial statements, increased by \$920,951. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$13,529,858. General revenues of \$9,693,626 and program revenues of \$4,757,183 amount to 67.08% and 32.92% of total revenues, respectively.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$124,955. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting. The resulting total fund balance at February 28, 2017 was \$4,423,315.
- The Village redeemed \$640,000 in BANs from general fund appropriations in the current year.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (MD&A) (this section), the basic financial statements and required supplementary information. The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**A. Government-Wide Financial Statements**

The government-wide financial statements present the governmental activities of the Village and are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

**INCORPORATED VILLAGE OF LINDENHURST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary funds.

Governmental Funds

Governmental fund financial statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period in which the Village incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, you may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**INCORPORATED VILLAGE OF LINDENHURST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The Village maintains four governmental funds: general fund, special revenue fund (community enhancement program), special grant fund (community development block grant) and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the Village's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

**A. Net Position**

The Village's total net position increased by \$920,951 between fiscal year 2017 and 2016. A summary of the Village's Statements of Net Position follows:

	2017	2016	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 6,417,412	\$ 6,888,292	\$ (470,880)	(6.84)%
Capital Assets, Net	28,419,365	28,337,120	82,245	0.29 %
Total Assets	<u>34,836,777</u>	<u>35,225,412</u>	<u>(388,635)</u>	<u>(1.10)%</u>
Deferred Outflows of Resources	<u>1,652,674</u>	<u>123,053</u>	<u>1,529,621</u>	<u>1243.06 %</u>
Current and Other Liabilities	7,201,720	8,162,112	(960,392)	(11.77)%
Long-Term Liabilities	2,692,589	3,459,293	(766,704)	(22.16)%
Net Other Post-employment Benefits Obligation	2,940,632	2,605,897	334,735	12.85 %
Net Pension Liability - Proportionate Share	<u>1,764,197</u>	<u>360,917</u>	<u>1,403,280</u>	<u>388.81 %</u>
Total Liabilities	<u>14,599,138</u>	<u>14,588,219</u>	<u>10,919</u>	<u>0.07 %</u>
Deferred Inflows of Resources	<u>209,116</u>		<u>209,116</u>	<u>N/A</u>
Net Investment in Capital Assets	19,513,982	18,896,948	617,034	3.27 %
Restricted	355,986	315,943	40,043	12.67 %
Unrestricted	1,811,229	1,547,355	263,874	17.05 %
Total Net Position	<u>\$ 21,681,197</u>	<u>\$ 20,760,246</u>	<u>\$ 920,951</u>	<u>4.44 %</u>

Current and other assets decreased by \$470,880, as compared to the prior year. This decrease is primarily reflected in a \$422,102 cash decrease and a \$51,117 decrease in accounts receivable, taxes receivable and amounts due from state and federal, offset by an increase of \$2,339 in prepaids.

Capital assets, net increased by \$82,245, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense.

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

Deferred outflows of resources represents contributions to the retirement plan subsequent to the measurement date and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$960,392, as compared to the prior year. The Village redeemed \$640,000 in bond anticipation notes payable from general fund appropriations. Additionally, accounts payable decreased \$353,711 from the prior year. These decreases were offset by increases in accrued liabilities and collections in advance of \$18,478 and \$14,841, respectively.

Long-term liabilities decreased by \$766,704, as compared to the prior year. This decrease is primarily the result of the scheduled repayment of the current maturity of the long-term liabilities, principally serial bonds.

Net other postemployment benefits (OPEB) increased by \$334,735 as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 12 "Postemployment Healthcare Benefits" provides additional information.

Net pension liability – proportionate share increased by \$1,403,280 in the current year. This liability represents the Village's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets, relates to the investment in capital assets at cost such as construction in progress; buildings and improvements; site improvements; and furniture and equipment, net of depreciation and related debt. This number increased over the prior year as follows:

	Increase (Decrease)
Capital assets additions - total	\$ 2,057,282
Additions financed by debt	(220,015)
Additions financed by appropriations	1,837,267
Principal reduction of construction debt	754,804
Depreciation expense	(1,975,037)
	\$ 617,034

The restricted amount of \$355,986 relates to the Village's reserve and restricted balances. The increase of \$40,043 represents the excess of revenues over expenses in amounts restricted for community enhancement programs of \$71,383, offset by the use of \$31,340 from the employee benefit accrued liability reserve for current year retirement payouts.

The unrestricted amount of \$1,811,229 relates to the balance of the Village's net position.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended February 28, 2017 and February 29, 2016 is as follows:



**INCORPORATED VILLAGE OF LINDENHURST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	<u>2017</u>	<u>2016</u>	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 3,399,103	\$ 3,367,684	\$ 31,419	0.93 %
Operating Grants	4,268	326,932	(322,664)	(98.69)%
Capital Grants	1,353,812	1,055,975	297,837	28.20 %
General Revenues				
Real Property Taxes	7,226,279	6,647,785	578,494	8.70 %
State Sources	874,244	844,417	29,827	3.53 %
Other	1,593,103	1,410,696	182,407	12.93 %
Total Revenues	<u>14,450,809</u>	<u>13,653,489</u>	<u>797,320</u>	5.84 %
<b>Expenses</b>				
General Government Support	2,745,134	2,259,792	485,342	21.48 %
Public Safety	2,813,014	2,570,452	242,562	9.44 %
Health	3,900	3,575	325	9.09 %
Transportation	4,444,040	4,340,766	103,274	2.38 %
Economic Opportunity & Development		6,051	(6,051)	(100.00)%
Culture & Recreation	1,729,390	1,792,376	(62,986)	(3.51)%
Home & Community Services	1,648,435	1,670,701	(22,266)	(1.33)%
Debt Service - Interest	145,945	167,569	(21,624)	(12.90)%
Total Expenses	<u>13,529,858</u>	<u>12,811,282</u>	<u>718,576</u>	5.61 %
Increase in Net Position	<u>\$ 920,951</u>	<u>\$ 842,207</u>	<u>\$ 78,744</u>	9.35 %

The Village's net position increased by \$920,951 and \$842,207 for the years ended February 28, 2017 and February 29, 2016, respectively.

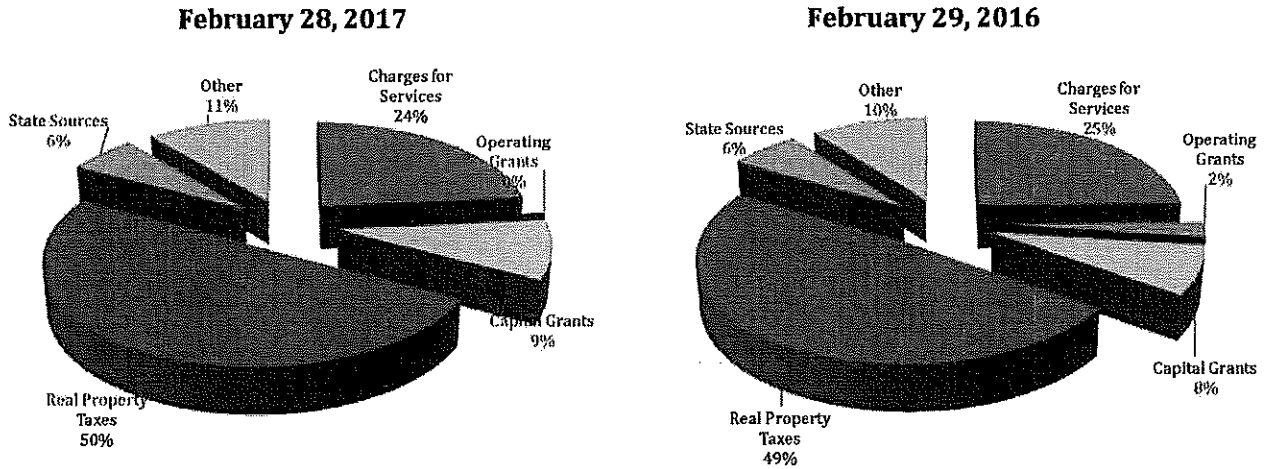
As indicated on the pie charts that follow, real property taxes is the largest component of revenues recognized (50% and 49% of the total revenues for the years 2017 and 2016, respectively). Transportation is the largest component of expenses incurred (i.e., 33% and 34% for the years 2017 and 2016, respectively).

Revenues increased \$797,320 over the prior year. Increases in property taxes of \$578,494 and other revenue of \$182,407 were offset by a decrease in operating grants of \$322,664, which mainly consisted of federal aid.

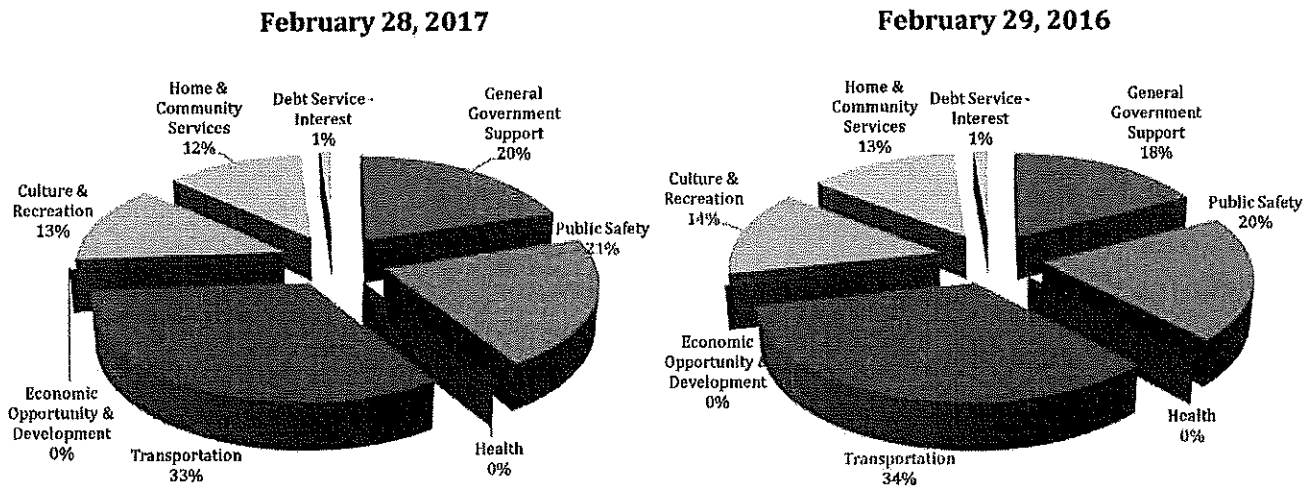
Expenses increased \$718,576 over the prior year. The main increase was \$485,342 in general support. The Village purchased land at an approximate cost of \$200,000 and employee benefits allocated to the various functions increased overall.

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

A graphic display of the distribution of revenues for the two years follows:



A graphic display of the distribution of expenses for the two years follows:



**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUND BALANCE**

At February 28, 2017, the Village's governmental funds reported a combined fund balance deficit of \$989,922, which is a deficit decrease of \$480,835 from the prior year. This deficit decrease is due to an excess of revenues and other financing sources over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable: Prepaids	\$ 61,270	\$ 58,931	\$ 2,339
Restricted for:			
Employee benefit accrued liability	43,660	75,000	(31,340)
Assigned: Appropriated fund balance	143,000		143,000
Assigned: Unappropriated			
Capital improvement	80,338	100,000	(19,662)
Technology	12,893	3,893	9,000
Community development	318,904	350,824	(31,920)
Neighborhood	81,175	66,175	15,000
DPW sanitation equipment	92,755	194,915	(102,160)
Fire department	3,625	20,000	(16,375)
Encumbrances	84,294	11,368	72,926
Unassigned fund balance	<u>3,501,401</u>	<u>3,417,254</u>	<u>84,147</u>
	<u>4,423,315</u>	<u>4,298,360</u>	<u>124,955</u>
<b>Special Revenue Fund</b>			
Restricted for special projects	<u>312,326</u>	<u>240,943</u>	<u>71,383</u>
<b>Capital Projects Fund</b>			
Restricted: Unspent bond proceeds	542,956	677,113	(134,157)
Unassigned fund balance (deficit)	<u>(6,268,519)</u>	<u>(6,687,173)</u>	<u>418,654</u>
	<u>(5,725,563)</u>	<u>(6,010,060)</u>	<u>284,497</u>
Total Fund Balance (deficit)	<u>\$ (989,922)</u>	<u>\$ (1,470,757)</u>	<u>\$ 480,835</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$124,955. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

**B. Special Revenue Fund**

The net change in the special revenue fund – fund balance is an increase of \$71,383, which was a result of revenues in excess of expenditures.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$284,492, which was a result of revenues in excess of expenditures.

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2016 -2017 Budget**

The Village's general fund original budget for the year ended February 28, 2017, was \$12,584,855. This was increased by prior year encumbrances of \$11,368 and budget revisions totaling \$328,607 for a final budget of \$12,924,830.

The budget was funded through estimated revenues. The majority of this funding source was in estimated property taxes and estimated charges for home and community services.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, assignments, encumbrances, and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,417,254
Fund Balance Appropriated for Budget Revision	(60,000)
Revenues Over Budget	289,015
Expenditures and Encumbrances Under Budget	91,621
Increase in Nonspendable Fund Balance	(2,339)
Net Transfers to Assigned Fund Balance	(91,150)
Appropriated to Fund the 2017-18 Budget	<u>(143,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 3,501,401</u></u>

Opening, Unassigned Fund Balance

The \$3,417,254 shown in the table is the portion of the Village's February 29, 2016 fund balance that was retained as unassigned fund balance. This was 27.15% of the Village's 2016-2017 approved original budget of \$12,584,855.

Fund Balance Appropriated for Budget Revision

The Village authorized the use of \$60,000 from the prior year's unassigned fund balance to increase the current year's BAN principal payments.

Revenues Over Budget

The 2016-2017 revised budget for revenues was \$12,584,855. Actual revenues received for the year were \$12,873,870. The actual revenues were more than estimated or budgeted revenue by \$289,015. This variance contributes directly to the change to the unassigned portion of the general fund - fund balance from February 29, 2016 to February 28, 2017.

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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Expenditures and Encumbrances Under Budget

The 2016-2017 final budget for expenditures including prior year encumbrances of \$11,368 and budget revisions of \$328,607 as of February 28, 2017, was \$12,924,830. Actual expenditures as of February 28, 2017, were \$12,748,915 and outstanding encumbrances were \$84,294. Combined, the expenditures plus encumbrances for 2016-2017 were \$12,833,209. The final budget was under expended by \$91,621. This under expenditure contributes to the change to the unassigned portion of the general fund - fund balance from February 29, 2016 to February 28, 2017.

Increase in Nonspendable Fund Balance

Nonspendable fund balance increased to reflect the increase in deferred expenditures (i.e., prepaids), which has the effect of decreasing the unassigned fund balance.

Net Transfers to Assigned Fund Balance

During the 2016-2017 fiscal year, the Village increased assigned fund balance by \$91,150 for the following: \$9,000 for technology, \$20,000 for public safety, \$47,150 for sanitation and \$15,000 for neighborhood.

Appropriated Fund Balance

The Village has chosen to use \$143,000 of its available February 28, 2017 fund balance to partially fund the 2018 approved operating budget. As such, the unassigned portion of the February 28, 2017 fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary of changes shown in the above table, the Village will begin the 2017-18 fiscal year with an unassigned fund balance of \$3,501,401, which is 26.70% of the Village's 2017-18 approved original budget of \$13,115,205. This is an increase of \$84,147 over the unassigned balance as of February 29, 2016.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At February 28, 2017, the Village had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$2,057,282 in excess of depreciation of \$1,975,037 recorded for the year then ended. A summary of the Village's capital assets, net of depreciation at February 28, 2017 and February 29, 2016 is as follows:

**INCORPORATED VILLAGE OF LINDENHURST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

	2017	2016	Increase (Decrease)
Land	\$ 1,398,464	\$ 1,191,562	\$ 206,902
Construction work in progress	197,873	141,873	56,000
Buildings	5,833,381	6,036,499	(203,118)
Building improvements	260,838	165,772	95,066
Machinery and equipment	571,025	645,360	(74,335)
Infrastructure	16,386,821	16,149,618	237,203
Improvements other than buildings	2,702,743	2,984,700	(281,957)
Vehicles	1,068,220	1,021,736	46,484
Capital assets, net	<u>\$ 28,419,365</u>	<u>\$ 28,337,120</u>	<u>\$ 82,245</u>

**B. Debt Administration**

At February 28, 2017, the Village had total bonded debt outstanding of \$2,405,000. This debt is backed by the full faith and credit of the Village. The net decrease of outstanding debt represents principal payments. A summary of the outstanding debt at February 28, 2017 and February 29, 2016 is as follows:

Issue Date	Interest Rate	2017	2016	Increase (Decrease)
12/1/2006	3.625%	\$ 770,000	\$ 905,000	\$ (135,000)
1/15/2009	2.000%	1,045,000	1,235,000	(190,000)
12/5/2012	2.000%	590,000	1,000,000	(410,000)
		<u>\$ 2,405,000</u>	<u>\$ 3,140,000</u>	<u>\$ (735,000)</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Board of Trustees approved a \$13,115,205 general fund budget for the year ending February 28, 2018. This is an increase of \$530,350 or 4.21% over the previous year's budget. The increase is principally in employee benefits (\$363,920) and debt service for BAN repayment (\$103,000).

The Village budgeted non-property tax revenues at a \$175,872 increase over the prior year's estimate. Additionally, the Village appropriated \$143,000 in fund balance to partially fund the budget. A property tax increase of 2.94% (tax levy to tax levy) was needed to cover the increase in projected expenditures.

**8. CONTACTING THE VILLAGE**

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Requests for additional information can be directed to:

Mayor Michael A. Lavorata  
Incorporated Village of Lindenhurst  
430 South Wellwood Avenue  
Lindenhurst, NY 11757

**INCORPORATED VILLAGE OF LINDENHURST**  
**Statement of Net Position**  
February 28, 2017

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 3,719,880
Restricted	1,236,433
Receivables	
Accounts receivable	429,391
Taxes receivable	249,225
Due from state and federal	721,213
Prepays	61,270
Capital assets not being depreciated	1,596,337
Capital assets being depreciated, net of accumulated depreciation	<u>26,823,028</u>
Total Assets	<u>34,836,777</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>1,652,674</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	324,109
Accrued liabilities	136,648
Notes payable	
Bond anticipation notes	6,580,000
Unearned credits	
Collections in advance	160,963
Long-term liabilities	
Due and payable within one year	
Bonds payable	750,000
Capital lease payable	20,935
Due and payable after one year	
Bonds payable	1,655,000
Compensated absences payable	266,654
Net other postemployment benefits obligation	2,940,632
Net pension liability - proportionate share	<u>1,764,197</u>
Total Liabilities	<u>14,599,138</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>209,116</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>19,513,982</u>
Restricted	
Employee benefit accrued liability	43,660
Special projects	<u>312,326</u>
	<u>355,986</u>
Unrestricted	<u>1,811,229</u>
Total Net Position	<u>\$ 21,681,197</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**Statement of Activities**  
For The Year Ended February 28, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General government support	\$ 2,745,134	\$ 382,360	\$	\$	\$ (2,362,774)
Public safety	2,813,014	307,583		11,412	(2,494,019)
Health	3,900				(3,900)
Transportation	4,444,040	146,164		1,146,341	(3,151,535)
Culture and recreation	1,729,390	143,465	4,268		(1,581,657)
Home and community services	1,648,435	2,419,531		196,059	967,155
Debt service - interest	145,945				(145,945)
<b>Total Functions and Programs</b>	<b>\$ 13,529,858</b>	<b>\$ 3,399,103</b>	<b>\$ 4,268</b>	<b>\$ 1,353,812</b>	<b>(8,772,675)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					7,226,279
Other tax items					63,784
Non-property tax items					901,908
Use of money and property					96,723
Fines and forfeitures					274,941
Sale of property and compensation for loss					227,847
Miscellaneous					27,900
State sources					874,244
<b>Total General Revenues</b>					<b>9,693,626</b>
<b>Change in Net Position</b>					<b>920,951</b>
<b>Total Net Position - Beginning of year</b>					<b>20,760,246</b>
<b>Total Net Position - End of year</b>					<b>\$ 21,681,197</b>



**INCORPORATED VILLAGE OF LINDENHURST**  
**Balance Sheet - Governmental Funds**  
February 28, 2017

	General	Special Revenue	Special Grant	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 3,718,669	\$	\$	\$ 1,211	\$ 3,719,880
Restricted	43,660	312,326		880,447	1,236,433
Receivables					
Accounts receivable	429,391				429,391
Taxes receivable	249,225				249,225
Due from other funds	563,801				563,801
Due from state and federal	13,136			708,077	721,213
Prepays	61,270				61,270
<b>Total Assets</b>	<u>\$ 5,079,152</u>	<u>\$ 312,326</u>	<u>\$ -</u>	<u>\$ 1,589,735</u>	<u>\$ 6,981,213</u>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 153,820	\$	\$	\$ 170,289	\$ 324,109
Accrued liabilities	93,037				93,037
Due to other funds				563,801	563,801
Notes payable					
Bond anticipation note				6,580,000	6,580,000
Unearned credits					
Collections in advance	159,755			1,208	160,963
<b>Total Liabilities</b>	<u>406,612</u>	<u>-</u>	<u>-</u>	<u>7,315,298</u>	<u>7,721,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	249,225				249,225
<b>Total Deferred Inflows of Resources</b>	<u>249,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,225</u>
<b>FUND BALANCES</b>					
Nonspendable: Prepays	61,270				61,270
Restricted for:					
Employee benefit accrued liability	43,660				43,660
Special projects		312,326			312,326
Unspent bond proceeds				542,956	542,956
Assigned					
Appropriated fund balance	143,000				143,000
Unappropriated:					
Capital improvement	80,338				80,338
Technology	12,893				12,893
Community development	318,904				318,904
Neighborhood	81,175				81,175
DPW sanitation equipment	92,755				92,755
Fire department	3,625				3,625
Other fund balance	84,294				84,294
Unassigned: Fund balance (deficit)	3,501,401			(6,268,519)	(2,767,118)
<b>Total Fund Balances (Deficit)</b>	<u>4,423,315</u>	<u>312,326</u>	<u>-</u>	<u>(5,725,563)</u>	<u>(989,922)</u>
<b>Total Liabilities, Deferred Inflows     of Resources and Fund Balances</b>	<u>\$ 5,079,152</u>	<u>\$ 312,326</u>	<u>\$ -</u>	<u>\$ 1,589,735</u>	<u>\$ 6,981,213</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
February 28, 2017

Total Governmental Fund Balances (Deficit) \$ (989,922)

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 249,225

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 77,519,311	
Accumulated depreciation	<u>(49,099,946)</u>	28,419,365

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	1,652,674	
Net pension liability - employees' retirement system	(1,764,197)	
Deferred inflows of resources	<u>(209,116)</u>	(320,639)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(12,359)	
Accrued interest on BANs payable	(30,157)	
Accrued interest on capital lease payable	(1,095)	
Bonds payable	(2,405,000)	
Capital lease payable	(20,935)	
Compensated absences	(266,654)	
Net other postemployment benefits obligation	<u>(2,940,632)</u>	(5,676,832)

Total Net Position \$ 21,681,197

**INCORPORATED VILLAGE OF LINDENHURST**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For The Year Ended February 28, 2017**

	General	Special Revenue	Special Grant	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 7,215,737	\$	\$	\$	\$ 7,215,737
Other tax items	63,784				63,784
Non-property tax items	901,908				901,908
Departmental income	2,552,139				2,552,139
Intergovernmental charges	268,150				268,150
Use of money and property	96,723				96,723
Licenses and permits	366,229				366,229
Fines and forfeitures	274,941				274,941
Sale of property and compensation for loss	227,847				227,847
Miscellaneous	27,900	212,585			240,485
State sources	878,512			709,763	1,588,275
Federal sources			90,682	553,367	644,049
<b>Total Revenues</b>	<b>12,873,870</b>	<b>212,585</b>	<b>90,682</b>	<b>1,263,130</b>	<b>14,440,267</b>
<b>EXPENDITURES</b>					
General government support	1,979,627			28,922	2,008,549
Public safety	2,209,952			97,846	2,307,798
Health	3,900				3,900
Transportation	2,243,163			1,373,025	3,616,188
Economic opportunity and development	33,420			55,120	88,540
Culture and recreation	834,183	141,202			975,385
Home and community services	771,684		90,682	63,720	926,086
Employee benefits	3,134,102				3,134,102
Debt service					
Principal	1,394,804				1,394,804
Interest	144,080				144,080
<b>Total Expenditures</b>	<b>12,748,915</b>	<b>141,202</b>	<b>90,682</b>	<b>1,618,633</b>	<b>14,599,432</b>
Excess (Deficiency) of Revenues Over Expenditures	124,955	71,383	-	(355,503)	(159,165)
<b>OTHER FINANCING SOURCES AND USES</b>					
Proceeds of debt - BANs redeemed from appropriations				640,000	640,000
<b>Total Other Financing Sources and Uses</b>	-	-	-	640,000	640,000
<b>Net Change in Fund Balance</b>	<b>124,955</b>	<b>71,383</b>	<b>-</b>	<b>284,497</b>	<b>480,835</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>4,298,360</b>	<b>240,943</b>	<b>-</b>	<b>(6,010,060)</b>	<b>(1,470,757)</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 4,423,315</b>	<b>\$ 312,326</b>	<b>\$ -</b>	<b>\$ (5,725,563)</b>	<b>\$ (989,922)</b>

**INCORPORATED VILLAGE OF LINDENHURST**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For The Year Ended February 28, 2017**

Net Change in Fund Balance	\$	480,835
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).		
Change in unavailable revenue	\$	10,542
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in net position.		
Decrease in compensated absences payable		11,900
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in net other postemployment benefits obligation		<u>(334,735)</u>
		(312,293)
<u>Capital Related Differences</u>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays		2,057,282
Depreciation expense		<u>(1,975,037)</u>
		82,245
<u>Long-Term Debt Transactions Differences</u>		
Bond anticipation notes redeemed from governmental fund appropriations are an other funding sources in the governmental funds, but do not affect the Statement of Activities.		
		(640,000)
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Repayment of bond principal		735,000
Repayment of capital lease payable		19,804
Repayment of bond anticipation notes payable		640,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
Accrued interest from February 29, 2016 to February 28, 2017 increased by		<u>(1,865)</u>
		752,939
<u>Pension Differences</u>		
The increase in the proportionate share of the collective pension expense of the state retirement plan reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
		<u>(82,775)</u>
Change in Net Position of Governmental Activities	\$	<u>920,951</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Fund**  
**February 28, 2017**

	<u>Agency</u>
<b>ASSETS</b>	
Cash	\$ 98,298
Service award program assets	<u>4,255,375</u>
Total Assets	<u>\$ 4,353,673</u>
<b>LIABILITIES</b>	
Other liabilities	<u>\$ 4,353,673</u>
Total Liabilities	<u>\$ 4,353,673</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Incorporated Village of Lindenhurst (the "Village"), which was established in 1923, is governed by its Charter, New York State Village Law and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**A. Financial Reporting Entity**

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following basic services are provided: Highway, Fire Protection, Sanitation, Village Justice Court, Building and Zoning and other general services.

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

**B. Basis of Presentation**

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes are presented as general revenues.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Financial Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The Village's financial statements present the following fund types:

***Governmental Funds:***

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Village's governmental fund types:

***General Fund*** - is the principal operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund.

***Special Revenue Fund*** - is used to account for the proceeds of specific revenue sources (other than special grant funds and capital projects funds) that are legally restricted to expenditures for specified purposes and the financial activities of the Village's Community Enhancement program.

***Special Grant Fund*** - is used to account for the activities related to the Community Development Block Grant.

***Capital Projects Fund*** - is used to account for and report financial resources to be used for the acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

***Fiduciary Funds*** - are used to account for assets held by the Village in a trustee or custodial capacity. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village and are not available to be used. The Village uses the following fiduciary fund:

***Agency Funds*** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. The trust and agency fund is used to account for money (and/or property) received and held in the capacity of trustee, custodian, or agent.

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

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported 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 when the related cash transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Charges for services are recognized in the year the services are provided. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the agency have been met.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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The governmental fund financial statements are reported 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. For this purpose, the Village considers revenues to be available if they are collected within 180 days of the end of the current fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related liability is incurred, except for principal and interest on general long term debt, as well as expenditures related to compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

**D. Real Property Taxes**

Real property taxes are levied no later than February 15<sup>th</sup> and become a lien on March 1<sup>st</sup>. The Village collects its own taxes. Taxes are collected during the month of March without penalty. A 5% penalty is assessed on taxes paid after April 1<sup>st</sup>, and an additional 1% is assessed each month on taxes paid after April. Unpaid Village taxes can be collected through tax sales.

**E. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas including other postemployment benefits, pension reporting, compensated absences, and useful lives of long lived assets.

**G. Cash**

Cash consist of cash on hand, bank deposits and investments with a maturity date of three months or less.

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



**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**H. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**I. Interfund Transactions**

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables and payables activity is provided subsequently in these Notes to Financial Statements.

**J. Prepaid Items**

Prepaid items represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. Under the consumption method, a current asset for the prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that prepaids do not constitute available spendable resources.

**K. Capital Assets**

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information.

All capital assets, except land, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	40 years
Improvements other than buildings	5,000	15 years
Machinery and equipment	5,000	10 years
Vehicles	5,000	10 - 15 years
Infrastructure		
Drainage system	5,000	40 years
Roads	5,000	40 years

**L. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Village has two items that qualify for reporting in this category. The first is related to pensions and represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension system not included in pension expense and the net difference between projected and actual earnings on pension plan investments. The second item is the Village's contributions to ERS subsequent to the measurement date.

**M. Collections in Advance**

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

**N. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension and the net difference between projected and actual earnings on pension plan investments.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**O. Employee Benefits - Compensated Absences**

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

The liability for compensated absences has been calculated using the vesting method and accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

This compensated absence liability for sick leave is reported on the Government-wide Statement of Net Position as a long-term liability. A liability for these amounts is recorded in the Balance Sheet to the extent payments become due because of employee retirement or resignation.

**P. Other Benefits**

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

The Village provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the Village provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the Village and the retired employee. The Village accounts for these postemployment benefits in accordance with GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the general fund, in the year paid. In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Village employees may choose to participate in the Village's elective deferral compensation plan established under Internal Revenue Code Section 457.

Eligible Village volunteer firefighters are provided with pension-like benefits under the Village's Length of Service Award Program.

**Q. Short-Term Debt**

The Village may issue budget notes for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**R. Equity Classifications**

Government-Wide Statements

In the government-wide statements there are three classes of net position:

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

*Restricted* – Reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – Reports all other amounts that do not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaids, which are accounted for in the general fund.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Village has established the following restricted fund balances:

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

*Restricted for Special Projects*

Fund balance in the special revenue fund results from the proceeds of specific revenue sources that are restricted for expenditures for specific purposes under the Village's Community Enhancement Program. These funds are accounted for in the special revenue fund.

*Restricted – Unspent Bond Proceeds*

Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village’s Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance may include an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the Village’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

**Fund Balance Classification**

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the Village’s governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term liabilities, including pensions.

**B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities**

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
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Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension Differences

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability, differences between the Village's contributions and its proportionate share of the total contributions to the pension system, differences between projected and actual earnings on pension investments and Village contributions to the pension system subsequent to the measurement date.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budget Policies**

The Village's budget policies are as follows:

- The Village's administration submits a tentative budget to the Board of Trustees. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund.
- A public hearing is held on the tentative budget by January 15<sup>th</sup>. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than February 1<sup>st</sup>.
- All subsequent modifications of the budget must be approved by the Board of Trustees.
- Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

Funded by Restricted Reserves:	
Reserve for employee benefits	\$ 31,340
Appropriations funded by assigned fund balance:	
Fire Department vehicles	185,685
Downtown revitalization	31,920
Parks department yearly restoration	19,662
Encumbrances from prior year	11,368
Prior years' surplus - BAN principal payment	60,000
	\$ 339,975

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at the time, as the liability is incurred or the commitment is paid.

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

The general fund appropriation for general government support was over expended. The general fund budget in total was not over expended.

**D. Capital Projects Fund Deficit**

The capital projects fund shows an unassigned deficit fund balance of \$(6,268,519). This will be funded when the Village obtains permanent financing for its current construction projects.

**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York States or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
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Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

**Investment pool:**

The Village participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at February 28, 2017 are \$603,161,100, which consisted of \$170,241,367 in repurchase agreements, \$173,115,106 in U.S. Treasury Securities, \$39,971,460 in U.S. Treasury bills, \$204,103,289 in collateralized bank deposits, with various interest rates and due dates, and \$15,729,878 in municipal bonds.

The following amounts are included as cash:

Fund	Carrying Amount
General	<u>\$ 50,269</u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).



**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. CAPITAL ASSETS**

Capital asset balances and activity for the year ended February 28, 2017, were as follows:

	Balance 2/29/2016	Additions	Reductions	Balance 2/28/2017
<b>Governmental activities</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 1,191,562	\$ 206,902	\$ -	\$ 1,398,464
Construction work in progress	141,873	56,000	-	197,873
<b>Total capital assets not being depreciated</b>	<b>1,333,435</b>	<b>262,902</b>	<b>-</b>	<b>1,596,337</b>
<b>Capital assets being depreciated</b>				
Buildings	14,547,588	10,539	-	14,558,127
Building improvements	227,454	112,186	-	339,640
Machinery and equipment	1,517,510	32,272	-	1,549,782
Infrastructure	44,656,623	1,377,925	-	46,034,548
Improvements other than buildings	6,979,449	4,780	-	6,984,229
Vehicles	6,466,153	256,678	(266,183)	6,456,648
<b>Total capital assets being depreciated</b>	<b>74,394,777</b>	<b>1,794,380</b>	<b>(266,183)</b>	<b>75,922,974</b>
<b>Less accumulated depreciation for:</b>				
Buildings	8,511,089	213,657	-	8,724,746
Building improvements	61,682	17,120	-	78,802
Machinery and equipment	872,150	106,607	-	978,757
Infrastructure	28,507,005	1,140,722	-	29,647,727
Improvements other than buildings	3,994,749	286,737	-	4,281,486
Vehicles	5,444,417	210,194	(266,183)	5,388,428
<b>Total accumulated depreciation</b>	<b>47,391,092</b>	<b>1,975,037</b>	<b>(266,183)</b>	<b>49,099,946</b>
<b>Capital assets, net</b>	<b>\$ 28,337,120</b>	<b>\$ 82,245</b>	<b>\$ -</b>	<b>\$ 28,419,365</b>

Depreciation expense is charged to governmental functions as follows:

General government support	\$ 78,567
Public safety	352,474
Transportation	1,212,634
Culture and recreation	258,871
Home and community services	72,491
<b>Total governmental activities depreciation expense</b>	<b>\$ 1,975,037</b>

The Village evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The Village's policy is to record an impairment loss in the period when the Village determines that the carrying amount of the asset will not be recoverable. At February 28, 2017, the Village has not recorded any such impairment losses.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. INTERFUND TRANSACTIONS**

Interfund balances at February 28, 2017, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 563,801	\$
Capital Projects Fund		563,801
Total	\$ 563,801	\$ 563,801

**7. SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Balance 2/29/2016	Additions	Reductions	Balance 2/28/2017
BAN	8/12/16	0.68%	\$ 6,390,000	\$	\$ (6,390,000)	\$
BAN	1/20/17	1.00%	830,000		(830,000)	
BAN	8/11/17	0.87%		6,055,000		6,055,000
BAN	1/18/18	1.46%		525,000		525,000
			\$ 7,220,000	\$ 6,580,000	\$ (7,220,000)	\$ 6,580,000

Interest on short-term debt for the year was composed of:

Interest paid	\$ 51,608
Less interest accrued in the prior year	(24,486)
Plus interest accrued in the current year	30,157
Total interest expense on short-term debt	\$ 57,279

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**8. LONG-TERM LIABILITIES**

Long-term liability balances and activity, excluding amounts due to ERS, pensions and other postemployment benefits, for the year are summarized as follows:

	Balance 2/29/2016	Additions	Reductions	Balance 2/28/2017	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 3,140,000	\$	\$ (735,000)	\$ 2,405,000	\$ 750,000
Capital lease payable	40,739		(19,804)	20,935	20,935
Other long-term liabilities					
Compensated absences	278,554		(11,900)	266,654	
	<u>\$ 3,459,293</u>	<u>\$</u>	<u>\$ (766,704)</u>	<u>\$ 2,692,589</u>	<u>\$ 770,935</u>

Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. All liabilities are liquidated by the general fund. The maturity of compensated absences is not determinable.

The following is a statement of the Village's bond issues with corresponding maturity schedules:

Issue Date	Final Maturity	Interest Rate	Outstanding at February 28, 2017
12/1/2006	12/1/2021	3.625%	\$ 770,000
1/15/2009	1/15/2022	2.000%	1,045,000
12/5/2012	8/1/2019	2.000%	590,000
			<u>\$ 2,405,000</u>

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

Fiscal Year Ending February 28,	Principal	Interest	Total
2018	\$ 750,000	\$ 71,437	821,437
2019	440,000	54,988	494,988
2020	455,000	41,087	496,087
2021	375,000	27,688	402,688
2022	385,000	14,300	399,300
Total	<u>\$ 2,405,000</u>	<u>\$ 209,500</u>	<u>\$ 2,614,500</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Capital Leases

The Village has entered into a lease purchase agreement as lessee for construction of a new fire training tower to be used by the Lindenhurst Fire Department.

The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset	
Improvements other than buildings	\$ 165,119
Less: accumulated depreciation	<u>(104,576)</u>
Total	<u>\$ 60,543</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of February 28, 2017, were as follows:

<u>Fiscal Year Ending February 28,</u>	
2018	<u>\$ 22,132</u>
Total minimum lease payments	22,132
Less: amounts representing interest	<u>(1,197)</u>
Present value of minimum lease payments	<u>\$ 20,935</u>

Interest on long-term debt for the year was composed of:

Interest paid	\$ 92,472
Less interest accrued in the prior year	(17,260)
Plus interest accrued in the current year	<u>13,454</u>
Total interest expense on long-term debt	<u>\$ 88,666</u>

**9. PENSION PLANS - NEW YORK STATE**

**A. New York State and Local Employees' Retirement System**

Plan Description

The Village participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer public employee retirement system. The system provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Provisions and Administration

Obligation of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of business of the ERS and for the custody and control of its funds. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or may be obtained by writing to: New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**B. Funding Policies**

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The Village paid 100% of the required contributions as billed by the ERS for the current year and each of the two preceding years.

The Village's share of the required contributions, based on covered payroll paid for the Village's year ended February 28<sup>th</sup>, for the current year and two preceding years was:

Year	Contribution
2017	\$ 490,691
2016	566,440
2015	596,053

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At February 28, 2017, the Village reported the following liability for its proportionate share of the net pension liability for the ERS. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the Village.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Measurement date	March 31, 2016
Village's proportionate share of the net pension liability	\$ 1,764,197
Village's portion of the Plan's total net pension liability	0.0109917%
Change in proportion since the prior measurement date	0.0003081

For the year ended February 28, 2017, the Village recognized pension expense of \$664,975 for ERS. At February 28, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,915	\$ 209,116
Changes of assumptions	470,458	
Net difference between projected and actual earnings on pension plan investments	1,046,618	
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	<u>126,683</u>	
Total	<u>\$ 1,652,674</u>	<u>\$ 209,116</u>

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending February 28, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	
2018	\$ 368,714
2019	368,714
2020	368,714
2021	<u>337,416</u>
	<u>\$ 1,443,558</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Measurement date		March 31, 2016
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	<u>100.0%</u>	

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% (the discount rate used at the prior year's measurement date of March 31, 2015 was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension 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%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate :

	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (3,978,135)	\$ (1,764,197)	\$ 106,487

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the measurement date, were as follows:

<u>(Dollars In Thousands)</u>	
Measurement date	March 31, 2016
Employers' total pension asset/(liability)	\$ (172,303,544)
Plan fiduciary net position	156,253,265
Employers' net pension asset/(liability)	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension asset/(liability)	90.68%

Payables to the Pension Plan

Employer contributions are paid annually based on the ERS' fiscal year, which ends on March 31st. Accrued and paid retirement contributions as of February 28, 2017, represent the projected employer contribution for the period of April 1, 2016 through February 28, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.



**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**10. PENSION PLANS – OTHER**

**Deferred Compensation Plan**

The Village has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The Village makes no contributions into this Plan. The amount deferred by eligible employees for the year ended February 28, 2017 totaled \$100,850.

**11. LENGTH OF SERVICE AWARDS PROGRAM**

The Village's financial statements are for the year ended February 28, 2017. However, the information contained in this note is based on information for the Village's Length of Service Award Program (the "Plan") for the Plan year ended December 31, 2016, which is the most recent year for which complete information is available.

The Village established a defined benefit plan for the active volunteer firefighters in the Village of Lindenhurst. The Plan took effect on January 1, 1992. The Plan was established pursuant to Article 11-A of New York State General Municipal Law. The Plan provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the sponsor of the Plan.

Plan Description

*Participation, Vesting and Service Credit*

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the Plan. Participants acquire a non-forfeitable right to a service award after being credited with five years of firefighting service or upon attaining the Plan's entitlement age. The Plan's entitlement age is age 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the Plan in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system ("Point System") established by the Village on the basis of a statutory list of activities and point values. A Participant may also receive credit for five (5) years of firefighting service rendered prior to the establishment of the Plan on January 1, 1992 (called "Prior Service"). In order to receive Prior Service credit, a Participant must have been an active volunteer fire fighter on January 1, 1992 and must have earned a year of service credit under the Point System during 1992.

*Benefits*

A Participant's benefit under the Plan is Life Annuity with 10 years certain equal to \$20 multiplied by the Participant's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed forty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age.

Fiduciary Investment and Control

Service credit is determined based on information certified to the Board of Trustees of the Village by each fire company having members who participate in the Plan. Each fire company must maintain all required records on forms prescribed by the Board of Fire Commissioners.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The Board of Trustees of the Village has retained and designated Hometown/RSA Consultants to assist in the administration of the Plan. The designated Plan administrator's functions include calculating the amount to be contributed at the end of each year based upon the criteria set forth in the Plan Document. Disbursements of Plan assets for the payment of benefits or administrative expenses must be approved by the Board of Trustees and delivered to the Custodian through a Payment Schedule. The Board of Trustees of the Village has retained and designated Hometown/RSA Consultants as the Custodian of the Plan's assets. Hometown/RSA Consultants shall make payments to Plan Participants and their beneficiaries in accordance with the Payment Schedule.

Plan assets are required to be held in trust by Length of Service Award Program 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 Plan. The trust agreement is dated January 1, 1992 as amended, and the Trustees are the Board of Fire Commissioners of the Village. Authority to invest Plan assets is vested in the Board of Fire Commissioners of the Village. Subject to restrictions in the Plan document, Plan assets are invested in accordance with a statutory "prudent person" rule. The Plan document restricts the Trustee from investing in securities or obligations issued by the Village, other than a de minimis amount held in common investment vehicles in which the Trustee invests. The Village is required to retain an actuary to determine the amount of the Village's contributions to the plan. The actuary retained by the Village for this purpose is BPAS Actuarial and Pension Services, LLC. Portions of the following information are derived from a report prepared by the actuary, dated April 2017.

Plan financial condition as of and for the year ended December 31, 2016:

Funded Status of the Plan	
Actuarial present value of benefits	\$ 9,353,561
Less: total assets available for benefits	<u>(4,288,702)</u>
Unfunded actuarial present value of benefits	<u>\$ 5,064,859</u>
Funded ratio	<u>45.85%</u>
Assets Available for Benefits	
Cash	\$ 208,744
Annuities	3,745,689
Cash Value of Life Insurance	<u>334,269</u>
Total assets available for benefits	<u>\$ 4,288,702</u>
Receipts and Disbursements	
Plan assets, beginning of year	\$ 4,111,083
Changes during the year:	
Plan contributions	475,000
Stripped cash values	25
Investment income earned	125,074
Changes in cash value of insurance	11,774
Plan benefit withdrawals	(424,435)
Fees	<u>(9,819)</u>
Plan assets, end of year	<u>\$ 4,288,702</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*Prior Service Costs*

Prior service costs are being amortized over a range of 10 to 20 years at a discount rate of 5.0%.

*Contributions*

The amount of the Village's contribution for 2016 recommended by the actuary based on the December 31, 2016 report was a minimum of \$631,312 and a maximum of \$836,222. The lower figure is based on a 22-year amortization of the remaining unfunded liability. The higher figure is based on a 10-year amortization of the remaining unfunded liability.

The total amount of the Village's actual contribution was \$475,000.

The recommended contribution amounts for 2017 based on the December 31, 2016 report are a maximum of \$867,703 and a minimum of \$655,646.

*Administration Fees*

Fees paid to designated Plan administrator / actuary: \$9,819.

Funding Methodology and Actuarial Assumptions

*Normal Costs*

The actuarial valuation methodology used by the actuary to determine the Village's contribution is the "Unit Credit Cost Method". The assumptions used by the actuary to determine the Village's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment: 5.00%

Tables used for:

Withdrawal:	None
Disability:	None
Retirement:	RP2-RP-2000 Mortality Table
Death (Active):	None
Death (Inactive):	None
Other:	None

**12. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. Plan Description**

The Village provides medical, Medicare part B reimbursement, vision and dental coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Funding Policy**

The Village assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended February 28, 2017, the Village recognized a general fund expenditure of \$206,262 for insurance premiums for 20 currently enrolled retirees. Currently, there is no provision in the law to permit the Village to fund other postemployment benefits by any means other than the "pay as you go" method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation.

Annual required contribution (ARC)	\$ 569,330
Interest on net OPEB obligation	52,118
Adjustment to ARC	<u>(80,451)</u>
Annual OPEB cost (expense)	540,997
Contributions made	<u>(206,262)</u>
Increase in net OPEB obligation	334,735
Net OPEB obligation - beginning of year	<u>2,605,897</u>
Net OPEB obligation - end of year	<u>\$ 2,940,632</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended February 28, 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
February 28, 2017	\$ 540,997	38.1%	\$ 2,940,632
February 29, 2016	530,865	35.0%	2,605,897
February 28, 2015	461,529	29.7%	2,260,730

**D. Funded Status and Funding Progress**

As of February 29, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$6,601,097 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,601,097. The covered payroll (annual payroll of active employees covered by the plan) was \$3,065,437, and the ratio of the UAAL to the covered payroll was 215.34%.

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

The valuation of February 28, 2017, is an update derived from estimates from the previous valuation dated February 29, 2016, based on the fact that there were no material changes to any of the benefit packages, the cost sharing structures or the census.

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

In the February 28, 2017, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.0% discount rate and an annual healthcare cost trend rate of 8.0% for health and pharmacy, 3.5% for dental and 3.0% for vision initially, reduced by decrements to an ultimate rate of 4.7% for health and pharmacy and 3.0% for dental and vision after 30 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

**13. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$143,000 has been appropriated to reduce taxes for the year ending February 28, 2018.

**14. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At February 28, 2017, the Village encumbered the following amounts:

Restricted	
Capital projects fund	<u>\$ 32,426</u>
Assigned: Unappropriated Fund Balance	
General Fund	
General government support	\$ 79,935
Culture and recreation	<u>4,359</u>
	<u>\$ 84,294</u>

**INCORPORATED VILLAGE OF LINDENHURST**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**B. Grants**

The Village has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on past audits, the Village believes disallowances, if any, would be immaterial.

**C. Certiorari Proceedings**

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through February 28, 2017, which could affect future operating budgets of the Village.

**D. Litigation**

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

**15. SUBSEQUENT EVENTS**

The Village has evaluated subsequent events through July 7, 2017, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**INCORPORATED VILLAGE OF LINDENHURST**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For The Year Ended February 28, 2017**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real property taxes	\$ 7,208,942	\$ 7,208,942	\$ 7,215,737	\$ 6,795
Other tax items	73,935	73,935	63,784	(10,151)
Non-property tax items	925,000	925,000	901,908	(23,092)
Departmental income	2,561,560	2,561,560	2,552,139	(9,421)
Intergovernmental charges	266,375	266,375	268,150	1,775
Use of money and property	82,000	82,000	96,723	14,723
Licenses and permits	325,300	325,300	366,229	40,929
Fines and forfeitures	185,500	185,500	274,941	89,441
Sale of property and compensation for loss	121,920	121,920	227,847	105,927
Miscellaneous	9,523	9,523	27,900	18,377
State sources	824,800	824,800	878,512	53,712
<b>Total Revenues</b>	<b>12,584,855</b>	<b>12,584,855</b>	<b>12,873,870</b>	<b>\$ 289,015</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior years' surplus		60,000		
Prior years' assigned		237,267		
Appropriated reserves		31,340		
Prior year's encumbrances		11,368		
<b>Total Appropriated Fund Balance</b>		<b>339,975</b>		
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 12,584,855</b>	<b>\$ 12,924,830</b>		
<b>EXPENDITURES</b>				
General government support	\$ 1,851,401	\$ 1,994,100	1,979,627	\$ (65,462)
Public safety	2,091,886	2,212,870	2,209,952	2,918
Health	3,900	3,900	3,900	-
Transportation	2,078,583	2,259,983	2,243,163	16,820
Economic opportunity and development	7,500	35,070	33,420	1,650
Culture and recreation	835,673	878,885	834,183	4,359
Home and community services	940,032	846,442	771,684	74,758
Employee benefits	3,271,300	3,149,600	3,134,102	15,498
Debt service				
Principal	1,334,805	1,394,805	1,394,804	1
Interest	164,775	144,175	144,080	95
<b>Total Expenditures</b>	<b>12,579,855</b>	<b>12,919,830</b>	<b>12,748,915</b>	<b>84,294</b>
<b>OTHER FINANCING USES</b>				
Operating transfers out	5,000	5,000		5,000
<b>Total Expenditures and Other Uses</b>	<b>\$ 12,584,855</b>	<b>\$ 12,924,830</b>	<b>12,748,915</b>	<b>\$ 84,294</b>
<b>Net Change in Fund Balance</b>			<b>124,955</b>	
<b>Fund Balances - Beginning of year</b>			<b>4,298,360</b>	
<b>Fund Balances - End of year</b>			<b>\$ 4,423,315</b>	

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**INCORPORATED VILLAGE OF LINDENHURST**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
February 28, 2017

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
February 28, 2010	\$ -	\$ 5,488,706	\$ 5,488,706	0%	\$ 2,465,183	222.6%
February 28, 2013	-	5,268,936	5,268,936	0%	2,905,241	181.4%
February 29, 2016	-	6,601,097	6,601,097	0%	3,065,437	215.3%



**INCORPORATED VILLAGE OF LINDENHURST**  
**Schedule of the Village's Proportionate Share of the Net Pension Liability**  
**Last Two Fiscal Years**

*Employees' Retirement System*

	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability	0.0109917%	0.0106836%
Village's proportionate share of the net pension liability	\$ 1,764,197	\$ 360,917
Village's covered payroll	\$ 3,136,672	\$ 3,024,910
Village's proportionate share of the net pension liability as a percentage of its covered payroll	56.24 %	11.93 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

**INCORPORATED VILLAGE OF LINDENHURST**  
**Schedule of Village Contributions**  
 Last Ten Fiscal Years

*Employees' Retirement System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 490,691	\$ 566,440	\$ 596,053	\$ 634,352	\$ 524,709	\$ 454,149	\$ 328,958	\$ 263,601	\$ 264,456	\$ 287,069
Contributions in relation to the contractually required contribution	490,691	566,440	596,053	634,352	524,709	454,149	328,958	263,601	264,456	287,069
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 3,136,672	\$ 3,024,910	\$ 2,965,874	\$ 3,053,723	\$ 2,864,833	\$ 2,714,644	\$ 2,958,787	\$ 3,292,001	\$ 3,030,693	\$ 2,905,254
Contributions as a percentage of covered payroll	16%	19%	20%	21%	18%	17%	11%	8%	9%	10%

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Incorporated Village of Lindenhurst  
Lindenhurst, New York

We have audited, in accordance with the 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, each major fund and the fiduciary funds of the Incorporated Village of Lindenhurst (Village), as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Lindenhurst'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 Incorporated Village of Lindenhurst's internal control. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Lindenhurst'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 Village'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 Incorporated Village of Lindenhurst'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*.

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Lindenhurst in a separate letter dated July 7, 2017.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*  
July 7, 2017

